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Wallison & Pinto: How Fannie and Freddie Happened

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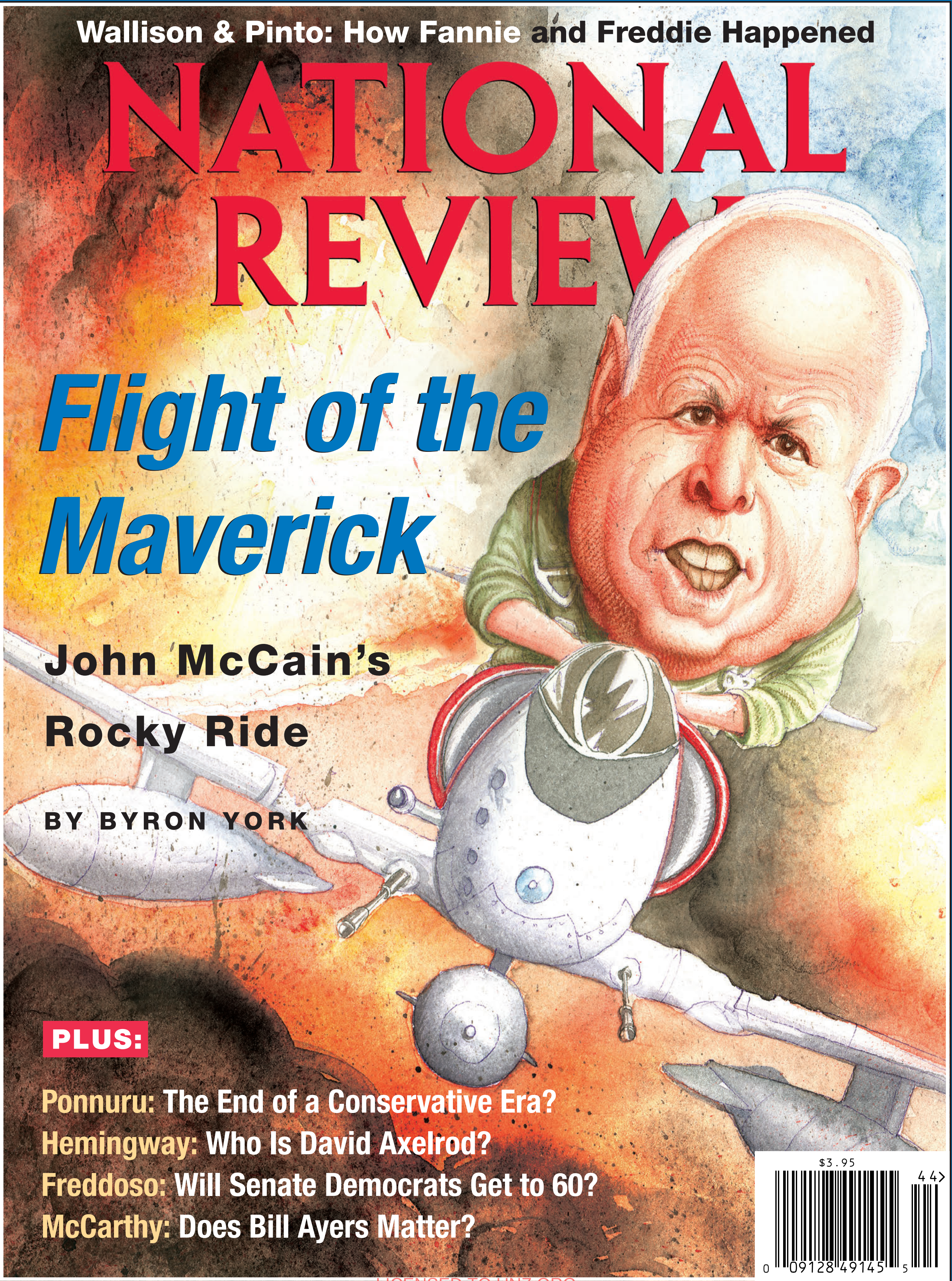

Flight of the Maverick

John McCain's Rocky Ride

BY BYRON YORK

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REBUILD AFTER METH

The headlines about methamphetamine—meth—have been grim. This highly addictive drug leaves a path of destruction that hurts families and entire communities. Users suffer severe health consequences; children are often neglected; and communities face dangerous crime and overburdened law enforcement.

Are we making strides in the fight against meth? Absolutely. From first responders to substance abuse professionals, those who work on the frontlines to combat meth recognize the progress.

- ***Meth use among youth and young adults has declined significantly since 2002.***[1]
- ***More meth users are seeking help. Meth treatment admissions have more than tripled in the past decade.***[2]
- ***And law enforcement officials are finding fewer and fewer domestic meth labs—meth lab seizures in the U.S. have decreased dramatically since 2004.***[3]

There is still work to be done, however—from eradicating meth production and distribution to helping those battling addiction. Consider Teresa. She is a mother, Girl Scout volunteer, and website developer. Her life took a sharp turn when she started using meth to lose weight. Her story went from bad to worse as she abandoned her family, including her 4-year-old daughter, for nearly a year in the search for her next high. She eventually entered a treatment program and made a commitment to conquer her addiction. Today, she is drug-free and a leader in anti-meth efforts in her community. There are thousands of people like Teresa out there, showing individuals and communities what they need to know.

Each year, nearly 150,000 people are admitted to treatment for methamphetamine.[5] And outcomes for meth users entering treatment are comparable to those for users of other similar drugs.[6] Find out about substance abuse treatment, and support meth treatment in your community.

- ***Treatment is available, and it works.***
- ***Drug addiction treatment is cost-effective—for every $1 invested in drug treatment programs, there is a $12 savings in crime and health care costs.***[4]

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American Society of Addiction Medicine
Community Anti-Drug Coalitions of America (CADCA)
National Association of Addiction Treatment Providers
NAADAC, Association for Addiction Professionals
National Association of Counties
National Association of Social Workers

National Conference of State Legislatures
National Drug Enforcement Officers Association
National Narcotics Officers' Association Coalition
The Partnership for a Drug-Free America
Substance Abuse and Mental Health Services Administration (SAMHSA)
State Associations of Addiction Services

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[1] SAMHSA, Office of Applied Studies, National Survey on Drug Use and Health (NSDUH), 2002-2006, Table 8.40B.
[2] SAMHSA, Office of Applied Studies, Treatment Episode Data Set (TEDS) 2007, Table 1b.
[3] DOJ, National Drug Intelligence Center, National Methamphetamine Threat Assessment 2008, December 2007.
[4] National Institute on Drug Abuse, "Principles of Drug Addiction Treatment: A Research-Based Guide," 2000.
[5] SAMHSA, Office of Applied Studies, Treatment Episode Data Set (TEDS) 2007, Table 1a.
[6] National Institute on Drug Abuse, "Principles of Drug Addiction Treatment: A Research-Based Guide," 2000.

Office of National Drug Control Policy

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■ COVER STORY

Against the Wind

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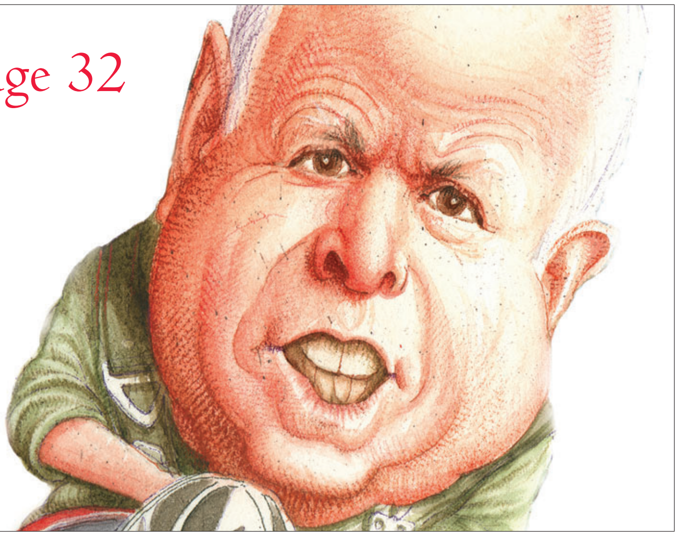
No Republican since the members of Congress who ran in the Watergate mid-term elections of 1974 has faced as many obstacles as John McCain does now. Yet despite it all, McCain pushes on, propelled by a drive most people just don't have. *By Byron York*



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COVER: *Roman Genn*

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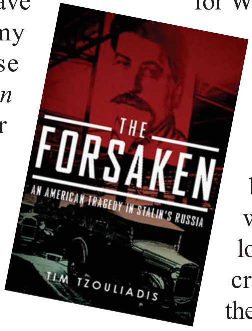
letters to the editor

CARS FOR COMMUNISM

In his review of *The Forsaken: An American Tragedy in Stalin's Russia* ("In the Nightmare," Sept. 29), Ronald Radosh writes that the book offers "a dramatic account of the previously unknown story"—that is, the story of the "thousands of American citizens who, during the Depression, sought employment and a better future in the 'worker's paradise' built by the Russian Bolsheviks after the 1917 revolution."

By and large the story is indeed "previously unknown," but there is a literature on these events, and I have known about them since my teens (I'm now 46). Those interested in *The Forsaken* should also read several other books.



If I could make *Coming Out of the Ice* by Victor Herman compulsory reading for high schoolers, I would. This is a memoir by a man of amazing mental and physical fortitude. His father, an American Communist, went to the Soviet Union to set up a Ford plant, and brought Victor along. There, of course, Victor suffered inconceivable tortures.

Black on Red by Robert Robinson, also a memoir, is by a black American auto worker who thought living in the Soviet Union would vastly improve his life. Instead he encountered longer hours and blunter racism, and was grateful to leave before seeing the gulag.

Finally, there's *Dancing under the Red Star* by Karl Tobien, about a woman who survived the gulag (she also went over with Ford).

It is vital, especially in light of our country's political drift, to get this Stalin-era story out. Many of our youth, media, etc., are seemingly unaware of the unintended consequences of collectivism.

Victoria Moore
Vero Beach, Fla.

AN INSIDER REPORTS

Stan J. Liebowitz says that relaxed underwriting standards led to the housing bubble ("Anatomy of a Train Wreck," Oct. 20), and he is correct. I saw the change from within the industry: I worked for Herb and Marion Sandler's World Savings and Loan from 1994 to 1998. World Savings was the pioneer of so-called liar's loans (we called them "no income verification" loans).

These loans were not sold into the secondary market (Fannie and Freddie) because they did not fit underwriting guidelines, but nonetheless they were the highest-performing loans in World Savings's portfolio. The reason? In order for World Savings to agree to a loan without income verification, the borrower had to meet other criteria that were very strict.

The borrower's credit had to be excellent. A credit score was not used—the underwriters looked at all the details on the credit reports. When assessing the value of a borrower's collateral, staff appraisers did not "shop" for the highest number. Finally, World Savings required a low loan-to-value ratio—at least 80 percent, but usually 75 percent or lower.

These loans were something of a niche product for World Savings, marketed primarily to self-employed individuals and those who got income mainly from tips. But since these loans were so profitable, other lenders with looser underwriting guidelines began competing for them. Tragically, lenders started selling these loans on the secondary market—transferring their risk—and underwriting standards eroded further.

In limited use, and when lenders used strict guidelines for the other variables, "no income verification" loans were fine. Once lenders started ignoring the other variables, these loans became suspect and contributed to the bubble.

Tom King
Flower Mound, Texas

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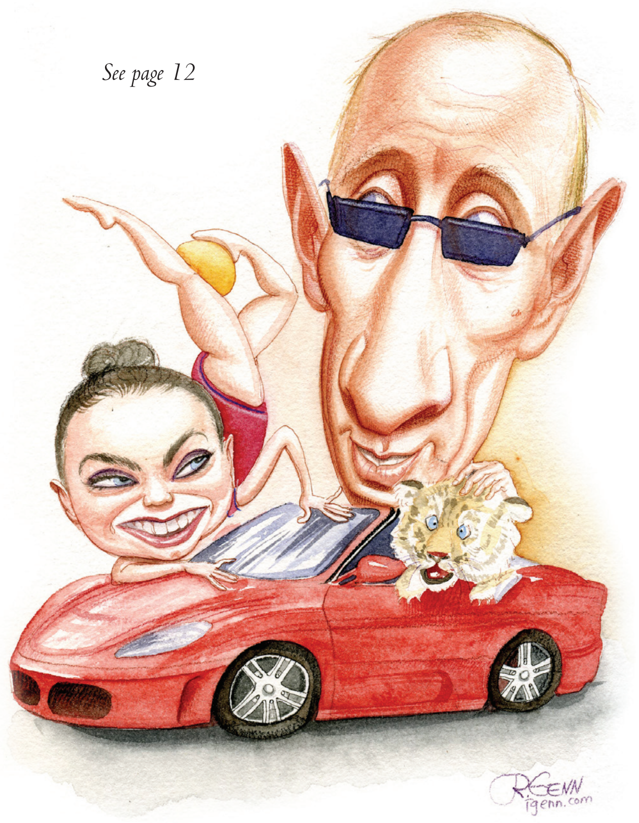
The Week

■ The way this campaign is going, Obama might be able to go back to Trinity.

■ Shed a tear with the bereaved—journos mourning the passing of their friend and hero, the good, old John McCain. McCain, they say, was open, honest, independent-minded. But age and the pursuit of office have turned him into a cranky, impulsive eye-gouger. National Review can speak with some objectivity on the matter, having endorsed other Republicans in 2000 and 2008. To us, he is the same John McCain: a lone wolf, driven by a sense of honor and a restless desire to do something, not just stand there—qualities that caused him to back both the surge and McCain-Feingold. Only one thing has changed. Until this year, many of McCain's high-profile fights were with fellow Republicans and conservatives. But once he got his party's nomination, he became the rival of The One. McCain's erstwhile fans want him to go gentle in the good night of defeat. Since he won't, they are friends no more.

■ Bare-knuckle campaigning is as old as the hills, as are complaints about it, so when Rep. John Lewis (D., Ga.) accuses John McCain and Sarah Palin of "sowing the seeds of hatred and division," and evokes George Wallace and the four girls murdered in the Birmingham church bombing, one might shrug and let it pass. Don't. Lewis trashes his own past, as a wounded soldier in the civil-rights struggle: If John McCain or Sarah Palin had been in George Wallace's place, there would have been no struggle, since Lewis and his fellows would have enjoyed their rights. But something even larger is at stake. For months, critics of Obama have been branded as racist, including Bill Clinton, formerly our first black president. Now racism is being equated with violence. Is this how Obama supporters would react to criticism of his administration? And what would they do in the face of real threats from random nuts? Gerald Ford, of all people, was shot at twice. Anglicans pray, on behalf of the queen, "Grant her in health . . . long to live." We ask it for all our candidates, and for whoever wins—and for our body politic.

■ Imagine if Senator McCain had a chum who had bombed abortion clinics. You might have heard of it. In real life, you learned, only belatedly, of Barack Obama's political and grant-writing partner, and unrepentant terrorist, Bill Ayers. Obama's association with Ayers ill suits a candidate whose main credential is his biography. When Obama was a young man from the provinces, he flourished in two liberal environments—the academy, and big-city politics, where he adopted a strategy of no enemies to the left (Jeremiah Wright was another consequence of it). Yet Obama is now a middle-aged senator, and party leader. More important than his past are his plans for our future. Conservatives should focus on them—and on what we propose to do better.



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ROMAN GENN

■ Gov. Sarah Palin showed considerable moxie and talent in overthrowing Alaska's Republican establishment. The national press has given her no credit for the accomplishment, and she has been showered with abuse, some of it quite disgusting, since McCain picked her as his running mate. But she has also done little to quell the doubts of people who wondered about her familiarity with national issues, and her assumption of the traditional veep candidate's role as scourge of the other side has also detracted from her ability to impress the public as a serious figure. Her political future will depend on whether she can change public impressions—whether or not her ticket wins this year.

■ Within seconds of John McCain's selection of Palin, her political enemies in Alaska began spreading word about "Troopergate." The alleged scandal is that Palin fired Alaska public-safety commissioner Walt Monegan because he would not fire a state trooper who had been involved in a

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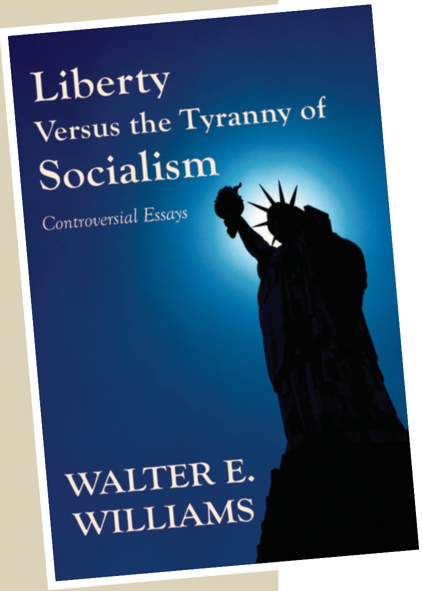

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Walter E. Williams is the John M. Olin Distinguished Professor of Economics at George Mason University and a nationally syndicated columnist.

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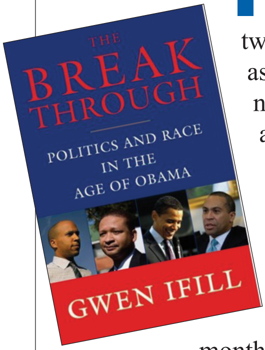
messy divorce with Palin's sister. As details emerged—often on the front pages of papers that hadn't lifted a finger to look into the life and times of Joe Biden—it became clear that Palin did indeed want the trooper fired, in part because he had violated all sorts of rules of conduct. But there were other reasons for her to want to get rid of Walt Monegan; Palin's lawyers made a pretty convincing case that Palin and her top aides had become exasperated with Monegan's refusal to follow the governor's policies. In a new report—incomplete, but rushed out in time for the election—an investigator hired by the Alaska legislature concludes that, on the Monegan issue, "Governor Palin's firing of Commissioner Monegan was a proper and lawful exercise of her constitutional and statutory authority to hire and fire executive branch department heads." Now, the investigator also found that Palin "abused her power"—not in firing Monegan, which had been the big charge against her, but in repeatedly expressing concern about the trooper's behavior. Perhaps Palin and her husband, Todd, showed too much interest in the trooper's case—he was, by the way, never fired—but by any fair-minded reading, this finding is very, very small stuff.



■ Though the vice-presidential debate between Sarah Palin and Joe Biden now seems as old as the Wars of the Roses, it should not be forgotten that the moderator, PBS anchor Gwen Ifill, had an interest in the outcome. Ifill is the author of *The Breakthrough: Politics and Race in the Age of Obama*, due out in January. The break-out for *The Breakthrough* will obviously be bigger if the man in its title is being sworn in as president that month. Ifill's defenders argued that she is a fair-minded sort, and indeed she turned in an even-keeled performance. But we avoid conflicts of interest precisely so that our fairness will not be tested. Ifill herself dropped the race card, saying to the AP: "Do you think they made the same assumptions about Lou Cannon (who is white) when he wrote his book about Reagan?" Cannon quashed that little distraction by saying that of course he would have recused himself had such a situation arisen. Race talk and media self-love: Expect a lot more of them if we have an Obama administration.

■ Many media outlets publish "fact check" features during campaigns. Judging from their performance in this presidential election and the last one, we would be better off without them. They graded Governor Palin more harshly than Senator Biden during the veep debate, for example. The *New York Times* dinged Palin for touting her tax cuts as mayor of Wasilla without mentioning that she had raised some taxes or that some residents now complain of traffic congestion. But the *Times* made no mention of several actual whoppers by Biden, such as his false claim that McCain proposes a special tax break for oil companies that is worth billions of dollars. The fact-checkers do not rid our political debate of distortions; they introduce new ones.

■ The McCain campaign launched a salvo of new economic proposals, the most ambitious of which is a plan to buy distressed mortgages at face value. The problem with this plan is that it cannot improve on current law without rewarding reckless lenders at an excessive cost to taxpayers. Under the Frank-Dodd housing bill that was signed into law last summer, lenders must agree to "take a haircut"—slang for writing down the value of a distressed asset—in order to qualify for federal mortgage insurance. The lender bears an initial loss but is protected if the borrower eventually defaults. McCain's plan would transfer that initial loss to the taxpayers: The government would buy mortgage loans at face value and then reduce the principal and interest to accommodate borrowers. Taxpayers would take so many haircuts we would all look like Britney Spears after a three-day bender. We never thought we would defend the Frank-Dodd legislation. But it looks downright prudent compared with McCain's plan.

■ ACORN, the community-organizing outfit with which Barack Obama has a long and fruitful history, has put together a team of voter-registration workers drawn in no small part from that most reliable Democratic constituency: felons. Their Nevada operation alone included some threescore felons. (It is illegal to employ felons in this capacity.) The results, nationwide, have been interesting: Twenty-one separate voter-registration applications were filed for a single voter in Miami; in Indiana, signatures were forged on registration cards for names apparently pulled out of the phone book at random, and Indianapolis/Marion County's registration now stands at 105 percent of the voting-age population; in Nevada, registrations for the starting lineup of the Dallas Cowboys were filed from non-existent addresses, and there were no records of many of the people proffered as voters. In Albuquerque, at least 1,400 registration cards are in question. Missouri (53,500 new ACORN voters) and Ohio are finding forged signatures and registrations from nonexistent addresses. These are not isolated cases; they run into several thousands already, and the investigations have only begun. It is no coincidence that they are concentrated in hotly contested swing states. Some 3 million ACORN voters have been added to the rolls since 2004. In July 2007, five ACORN activists pleaded guilty to fraud for faking voter registrations in Washington State. The time to act on this problem is today, not the day after the election.

■ Under current law, in order to represent a workplace, a union must allow a vote by secret ballot—if the union wins, which it does more than half the time, it can organize the workers. Many on the left don't like this: They would prefer to use a "card check" system, where instead of voting, at least half the workers would sign cards to form a union. This procedure makes the vote public, and enables the unions to use pressure tactics. Thankfully, at least one liberal figure, and a friend to unions at that, has seen this proposal for the assault on democratic principles it is: Former senator George McGovern appeared in a commercial opposing the Employee Free Choice Act, a bill that, contrary to what its title suggests, would enact the card-check system. He compared union

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Time travel at the speed of a 1935 Speedster?

The 1930s brought unprecedented innovation in machine-age technology and materials. Industrial designers from the auto industry translated the principals of aerodynamics and streamlining into everyday objects like radios and toasters. It was also a decade when an unequaled variety of watch cases and movements came into being. In lieu of hands to tell time, one such complication, called a jumping mechanism, utilized numerals on a disc viewed through a window. With its striking resemblance to the dashboard gauges and radio dials of the decade, the jump hour watch was indeed "in tune" with the times!

True to Machine Art esthetics, the sleek brushed stainless steel case is clear on the back, allowing a peek at the inner workings.

The Stauer *1930s Dashtronic* deftly blends the modern functionality of a 21-jewel automatic movement and 3-ATM water resistance with the distinctive, retro look of a jumping display (not an actual jumping complication). The stainless steel 1 ${}^1/_2$" case is complemented with a black alligator-embossed leather band. The band is 9 ${}^1/_2$" long and will fit a 7–8 ${}^1/_2$" diameter wrist.

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THE WEEK...

votes to elections for public office, in which "we walk into the voting booth and pull the curtain, free of anyone trying to twist our arm." We don't get to say this often, but right on, Mr. McGovern.

■ There's a new Washington game. A cabinet department requests a "study" of some important issue by an outside group with a patina of bipartisan fairness. The group writes a report, and the media promptly spin it as an indictment of the Bush administration. The details turn out to be generally supportive of administration policy—but the damage has been done. It happened last year when a report on pre-war intelligence was initially portrayed as dismissive of Iraq-Qaeda ties, though it actually documented meaningful connections. Now it has happened with a report on data mining, a vital intelligence technique. The Department of Homeland Security commissioned a study by the "National Research Council," and the committee that produced the study was co-chaired by former Clinton defense secretary William Perry. The study generally approved of data mining but cautioned that programs should be monitored for effectiveness and privacy protection. The *New York Times* published a story saying experts were worried about whether data-mining programs were "effective and legal." Naturally the ACLU pounced: Its press release "hails [the] DHS-funded report [for] condemning data mining." Call it the Left's version of data mining.

■ On what they call "Saviours' Day," Louis Farrakhan, the Nation of Islam leader, spoke to a mass of his followers. And he spoke about Barack Obama. He said, "You are the instruments that God is going to use to bring about universal change, and that is why Barack has captured the youth. And he has involved young people in a political process that they didn't care anything about. That's a sign. When the Messiah speaks, the youth will hear, and the Messiah is absolutely speaking." So, Obama *is* The One. At least it isn't Farrakhan.

JOHN ANDERSON/UPI

■ Sarah Palin, the world's most famous hockey mom, dropped the ceremonial first puck before the Philadelphia Flyers' home opener. Some critics suggested that the team should instead have invited Joe Biden, a native Pennsylvanian who represents nearby Delaware in the Senate. If they had, one can only imagine how Biden would describe his experience afterwards: "Anxiously I crouched in the Wachovia Center goal crease while Mario Lemieux raced toward the net on a breakaway. As he streaked across the blue line, I moved out to cut down the angle, then dove sharply to my left and deflected the puck with a stick save. Groping for the rebound, I felt Maurice 'Rocket' Richard glide past, missing my head by inches . . ."

■ When California began registering same-sex marriages earlier this year, the state had to change its license forms. Instead of "bride" and "groom," the new blanks read "Partner A" and "Partner B." No one liked that solution much; it was anything but romantic, and gave quarrelsome couples one more silly thing to argue about. Now the state has announced that, starting in mid-November, prospective spouses can sign up as bride and groom, two brides, two grooms, or, for grammarians and those who find gender passé, "first person" and "second person." By that point, however, a hotly contested initiative on this year's ballot to ban same-sex marriage may have passed—which would require yet another revision from California's endlessly harried bureaucrats of love.

■ In its June *Boumediene* ruling, the Supreme Court dreamed up a constitutional right for alien enemy combatants to challenge their detention in court. Now the disastrous consequences of that ruling are clear: A judge has ordered that 17 jihadists be released—into the United States. The men are Chinese Uighur Muslims attached to a terrorist organization affiliated with al-Qaeda. They attended terrorist training camps in Afghanistan. Several took up arms against American forces, and some have joined other jihadist detainees in riots at Guantanamo Bay. Nonetheless, in a fit of political correctness that ignores jihadist ideology, the military reasoned that the Uighurs were not really a threat to the U.S., but only to China. Even if an appeals court would have been justified in telling the government it needed a more coherent rationale to designate the Uighurs enemy combatants, the district judge—Clinton appointee Ricardo Urbina—had no authority to release them, much less into our country. The release order, now stayed while the Justice Department appeals, violates federal law, which prohibits aliens who have received terrorist training from entering the U.S. and vests control over immigration in the political branches. It is worth remembering that Obama welcomed the *Boumediene* ruling while McCain panned it.

■ The Bush administration removed North Korea from its list of terror sponsors. In exchange, North Korea agreed not to resume plutonium reprocessing at a facility in the city of Yongbyon—something it had threatened to do—and to allow the return of the international inspectors it had expelled from the site a few weeks earlier. Defenders of the delisting say that the Bush administration could not have extracted greater concessions from North Korea, and that rejecting this compromise would have meant scuppering the February 2007 agreement in which North Korea putatively agreed to give up its nuclear program. But a deal is worth salvaging only if it is a good deal to begin with. The concessions we have made in this one, particularly the resumption of aid and the unfreezing of the regime's bank accounts, have greatly reduced our leverage, and the only real concession we have gotten in return is the closing of Yongbyon, whose reactor was already near the end of its useful life. The issues that matter most to us—the fate of North Korea's nuclear arsenal, the possibility of ongoing secret efforts to enrich uranium, the implementation of a system to effectively verify that the North is keeping its end of the bargain—have been tabled, and North Korea

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THE WEEK...

has no reason to want to change that. More likely is that it will throw more temper tantrums, and win more prizes for assurances of its fine intentions.

■ Christians are under attack in the Indian states of Orissa and Karnataka, where Hindu mobs have driven them from their homes and carried out forced conversions. Christians also are under attack in Iraq, where Islamist bombers have targeted their leaders. There are two lessons here, one religious and one political. The religious lesson is: John 15:18. The political lesson is this: India is officially a secular democracy; Iraq's constitution declares Islam the national faith but establishes freedom of religion. India is in its seventh decade of liberal democracy, Iraq stumbling through its first. In 1765 Britain provoked its American colonies with the Stamp Act; 100 years later independent Americans were butchering each other in the Civil War. It takes time, wisdom, and luck to build a decent society. We can give the Iraqis time.

■ Economic basket cases abound at the moment, but none quite so fraught as Iceland. Little country, great trouble. Its financial system has collapsed because its foreign debt is ten or even twelve times the size of the economy. There's no chance of repaying it. Trading in the local currency, the krona, has been suspended. The IMF hovers in the background, and there is talk of adopting the euro, or pegging the krona to it. The banks that were offering all the credit that gave rise to the debt mountain have been nationalized, and the stock exchange closed for three days. Inflation and interest rates are already in double digits. The prime minister, Geir Haarde, speaks mournfully of "national bankruptcy" but asserts that Iceland will not default. That means playing a wild card: The Haarde government is seeking a $5.43 billion loan from Russia, and may get it because Russia can't absorb its petro-dollars. As part of the deal, Russia could lease a former American air base, and may even dream of prizing Iceland out of NATO and turning it into the Cuba of the North Atlantic.

■ A small movement of people wanted Hu Jia to win the Nobel Peace Prize. He is a Chinese democracy activist, now in prison. That describes a great many people. Hu was arrested in advance of the Olympics, on charges of "inciting subversion of state power and the socialist system." In other words, he had given interviews and written articles expressing a desire for freedom. His backers thought it might be safe for the Nobel people to give him the prize, because the Chinese Communists had their Olympics, and they were extremely successful for them—hardly any Western leader, journalist, or activist stirred the waters. Instead of Hu, a former Finnish president won the prize. Perhaps there will come a day when the world deems it right for a Chinese democrat to win it. Don't wait up nights, though.

■ Venezuela's oil production has fallen by a quarter since Hugo Chávez took over, and the country isn't even getting market price for half of its product, which is diverted and sold at a discount to Cuba and other Chávez allies under the Petrocaribe arrangement. There is only one major market in which Boss Hugo's oil still commands the full market price in cash: the United States of America. May we drill now?

■ Reinier Alcantara tried very, very hard to make Cuba's soccer roster, because World Cup qualifying was being played in Washington, D.C. He made it. And he had a plan to defect. It wasn't easy, but he found a crease, and he ran like hell. He ran for blocks and blocks, until he flagged down a taxi. "Drive me far," he said. "Go far, far, far." They drove for nearly half an hour. Unbeknownst to Alcantara, another Cuban soccer player, Pedro Faife, was escaping too. (These details come from an excellent report in the *Boston Herald*.) The latest defections follow the escape of no fewer than seven Cuban soccer players last spring, in Tampa. It's amazing that Cuba allows teams to travel at all. Escapees, and all opponents of the regime, are called *gusanos*, or "worms." That's what Cuba's Communists call them. They are actually human beings with a desire for a decent life. They run whenever they can. Maybe someday they'll have a country they don't have to run from.

■ Linus Pauling was a great scientist and was awarded the Nobel Prize in chemistry. He was also a quack who believed that massive doses of Vitamin C would cure cancer. Professor Pauling was a conscientious peace activist and was awarded the Nobel Peace Prize. He was also a naïf who failed to appreciate the horrors of Soviet Communism: His Nobel Peace Prize was joined by the International Lenin Peace Prize. Paul Krugman is by most accounts a very fine economist responsible for groundbreaking work on trade. He also writes a loopy column for the *New York Times* in which he regularly makes claims for progressive nostrums that are of similar credibility to Pauling's claims for Vitamin C. We congratulate Professor Krugman on his Nobel and hope that it inspires him to return to his vocation.

■ DEPT. OF UNFORTUNATE CONTROVERSIES: Chris Buckley, with some of his father's genius for public controversy, wrote an endorsement of Barack Obama for Tina Brown's new website, *The Daily Beast*. Not wanting to be a thorn in the side of NR's readers, Chris offered to resign his column on the back page, where he had been writing while Mark Steyn was on

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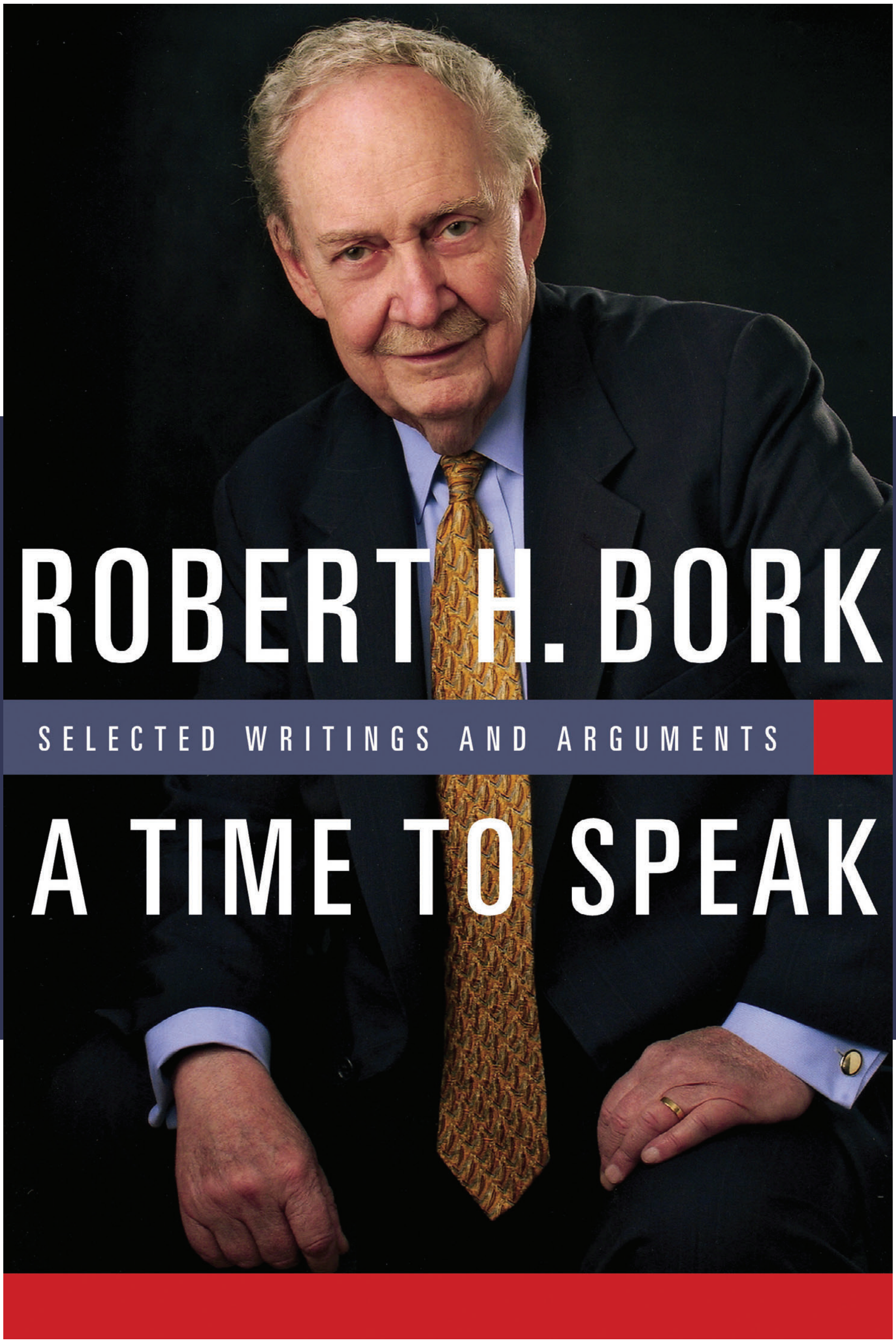
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hiatus. We took Chris up on his offer, but look forward to his continued contributions to NR in other capacities. He is a superior writer and a lively wit (if deeply mistaken about this year's presidential race). Meanwhile, Mark Steyn is back to writing, and his "Happy Warrior" column closes out this issue.

■ Vladimir Putin's mid-life crisis grows ever more bizarre. First he reportedly left his wife for a 24-year-old rhythmic gymnast; then he found a new job, sort of; then he invaded Georgia; then he shot a runaway tiger (and was later given a tiger cub, which he keeps in his home and strokes affectionately while chatting with equally tame journalists). The Russian media show endless pictures of Putin flying a fighter jet or riding and fishing bare-chested in Siberia. And now the Russian prime minister has released a video called *Let's Learn Judo with Vladimir Putin*. In it, Putin, the former amateur champion of Leningrad (and understandably so; you wouldn't want to be the guy who knocked him out in the finals), shows that he can dispose of judo opponents just as efficiently as political opponents. We encourage Mr. Putin to continue his soul-searching struggle to find himself. In fact, if he ever gets tired of his strenuous exertions and decides to go off and spend a few years painting watercolors, we would not object in the slightest.

JOHN LOCHER/AFP

■ O. J. Simpson was convicted of armed robbery and kidnapping, for breaking into a Las Vegas hotel room with five cronies and straight-arming two dealers of sports memorabilia. Simpson fared better in 1995 when he was acquitted for the murder of his ex-wife, Nicole Brown Simpson, and Ronald Goldman. That verdict polarized America on racial lines. But away from the pyrotechnics, justice of a sort caught up with him step by step. He vowed he would find the real killers; he searched mostly on golf courses. He lost a civil suit brought by the victims' families, which forced him to live in straitened circumstances. In 2006, a clownish effort to publish a "hypothetical" confession, *If I Did It*, collapsed to general mockery. The brutish narcissist continued to think he could do whatever he liked. Now his desires and his options will be confined to a cell. God sees everything, as the Russian proverb has it, but waits. Or as Heraclitus wrote, character is fate.

■ Jörg Haider was one of the most disturbing figures in Europe. An Austrian born in 1950, he was the child of convinced Nazis. After the war, these parents were treated as social pariahs, which Haider found unfair. A deep sense of resentment drove him into far-right politics. Soon he became a member of parliament, and then leader of the minority and extremist Freedom party, which won enough votes in a general election to enter for a time a coalition government with the People's party. A scandalized European Union announced sanctions against Austria, without much effect because so many people secretly sympathized with Nazism and shared Haider's sense of resentment at the way the past was criticized. Personable, a clever operator, Haider was a master of euphemism and innuendo. "Small Nazis" like his parents, he said, were punished, but "big Nazis" reaped rewards. Concentration camps had really been "penal camps." Hitler's employment policies were "orderly." Haider himself lived on a large estate that had originally been sequestered when its Jewish owner fled. If anyone could have remodeled Nazism for the present age, it was he.

THE ECONOMY

Emergency Planning

The Paulson plan went from unpalatable to worse. The Treasury Department will now inject equity directly into major banks in exchange for preferred shares, making the institutions an offer they literally cannot refuse. Of the $700 billion in the bailout bill, $250 billion will be devoted to recapitalization of the banks, and Treasury secretary Hank Paulson has made it clear that he wants the banks to loan it back out quickly to businesses and other customers.

Originally, Paulson had proposed a slightly less intrusive scheme whereby Treasury would buy so-called toxic debt from financial institutions, then hold it until the crisis passed and resell it to private players. This procedure may still be an element of the plan, but it was too complicated (how to price the debt?) and would take too long (weeks to get the program up and running) to address a credit crisis that was spinning out of control by the hour. Prime Minister Gordon Brown proposed a direct equity injection in Britain, and with the rest of Europe following suit Paulson also got on board this approach as a simpler and faster option. The initial market reaction was positive, with credit markets showing slight signs of loosening.

Unfortunately, in a financial panic, there must be a lender of last resort, and in today's world only government is big enough to perform that function, one way or another. The old, tried and true prescription in a panic, going back to Alexander Hamilton and Walter Bagehot, is pumping liquidity into the system until the fit of madness passes. Paulson, Federal Reserve chairman Ben Bernanke, and FDIC chairman Sheila Bair—joined by central banks and finance ministers around the world—have been attempting this cure in every manner possible, with more deposit guarantees, with direct lending to small businesses, with guarantees of new debt issued by banks. It all amounts to a stunningly wide-ranging government intervention, but one that—if it saves the financial system from collapse—will be worth it.

Unfortunately, in a financial panic, there must be a lender of last resort, and in today's world only government is big enough to perform that function, one way or another.

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THE WEEK...

If successful, most of these measures will naturally recede. The equity injections are explicitly a temporary measure. Some analysts believe that at the end of the day the government will recoup its money and even make some. But conservatives should have no illusions. The Paulson plan will create an even more difficult political environment for opposing government—after $700 billion, everything else seems affordable.

Over the long term, conservatives have to highlight the role that government played in inflating the housing bubble. It promoted subprime lending, particularly through Fannie Mae and Freddie Mac (see the article by Peter J. Wallison and Edward Pinto on page 36), and pumped too much liquidity into the economy through a loose monetary policy. We have to oppose regulatory overreach in the months ahead, while supporting commonsense measures to lessen risk at financial institutions that truly are "too big to fail" (see Andrew Stuttaford and Jim Manzi on pages 30 and 39). Finally, we have to advance market-oriented measures to promote economic growth and protect the interests of the middle class.

It has been a depressing time for fiscal conservatives, but we can take heart. The public hasn't lurched to the left. A recent Fox News poll asked people whether they think it's a good time for higher taxes and a larger government, or for lower taxes and a smaller government. Only 13 percent opted for higher taxes and larger government, while 76 percent preferred lower taxes and smaller government. Democrats chortling over the financial mess seem delighted at the supposed advent of socialism in America, but may be surprised at the reaction when they try to impose their hoped-for New New Deal.

CAMPAIGN 2008

Closing Arguments

THE country wants a change. It is fed up with both parties, but especially Republicans after eight years of Bush. The financial crisis has heightened that mood. John McCain has not appeared to be the steady, unflappable, reformist leader the public wants. So it is not surprising that he is trailing in the polls.

The McCain campaign made some brilliant tactical moves in the summer, slowly chipping away at Barack Obama's lead. But that success, and the early reaction to McCain's selection of Sarah Palin as his running mate and to the Republican convention, papered over McCain's deeper strategic problems: his failure to establish a reformist image and his lack of a compelling middle-class economic message.

Now McCain is being told by a lot of our friends that he should hit Obama hard for his radical connections: his ties, above all, to the terrorist Bill Ayers and to the hatemongering Rev. Jeremiah Wright. Those connections are legitimate issues and McCain's discomfort at raising them is self-destructive. But they are not, by themselves, enough to turn around the campaign.

In the last weeks of the campaign, McCain should first of all concentrate on middle-class economic concerns. People were worried about the state of the economy *before* the financial crisis became dire, largely because of the state of their wallets. McCain should do more to publicize his proposal to double the tax exemption for children, which would amount to more than $1,000 for a typical family. He should present his entire economic agenda as a way to lower the cost of living. He should note that his health-care plan will lead to a large increase in wages as employers convert health benefits into cash for their workers. The result could be a $9,000 increase in take-home pay for a typical family. Obama's health-care plan, by contrast, is a small-business job-killer.

Second, McCain needs to make the case that his agenda will do more to promote growth. Obama wants higher taxes, including on capital gains. It is hard to think of a worse time to implement that proposal. Obama has been hostile to trade, one of the strongest engines of the economy in recent years and itself a downward force on the cost of living. He has proposed an avalanche of new spending, adding up to almost $1 trillion during his first term. Even Obama has admitted that his tax hikes could hurt the economy; how else to make sense of his comment that he might not impose them if the economy is still faltering? McCain's tax cuts, spending restraint, and stalwart support for free trade are much better suited to reviving the economy. But McCain has too often overemphasized the spending restraint without putting it into the context of an overall economic policy that helps the middle class. He cannot afford to keep making that mistake.

McCain needs to ask whether it would serve the national interest to create the most left-wing Washington in decades.

Third, he needs to make a credible pledge not to allow anything like this financial crisis to recur. Fannie Mae and Freddie Mac should lose their privileges. Capital requirements throughout the financial industry should be gradually increased. Clear lines of regulatory authority should be established, consolidating existing bodies where needed.

Fourth, McCain must tie Obama to the liberals in Congress. Congress is as unpopular as, if not more so than, President Bush. It had a huge hand in stoking the mortgage mess (see again: Fannie and Freddie). With Democrats sure to get larger majorities in the House and the Senate, they will be emboldened to push Obama's already-liberal agenda leftward off a cliff. And Obama has shown no willingness over the years to stand up to his party.

This is the deeper political import of his relationship with Ayers and Wright. For all his talk about change, Obama has been far better at adapting to the environments in which he finds himself. If he wins the presidency, there will be very little check on Nancy Pelosi and Harry Reid.

McCain needs to ask whether it would serve the national interest to create the most left-wing Washington in decades. He needs to ask this with respect to many issues, but the

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economy is certainly one of the top ones. As the economy sinks, do we want more taxes, spending, and trade restrictions?

The most important reason to hope McCain is elected is that he would keep the country from going on an ideological bender that it does not truly want. That is the case for McCain. He may as well make it.

CAMPAIGN 2008 II

Health Scare

IN a 2005 survey of health economists, 91 percent agreed that company health benefits come out of wages. No other issue generated as much consensus. The idea is that an employer hires, and sets his compensation policies, based on what employees are worth to him and the total cost of employing them. How much of that cost goes to wages and how much to benefits is a matter of relative indifference. Government-mandated benefits should therefore be expected to come out of cash wages, not profits. The point sheds light on a neglected flaw in Obama's health-care plan and a neglected virtue in McCain's.

The Obama campaign has been doing saturation advertising against McCain on health care. It notes that McCain will tax company health benefits for the first time, and argues that this tax will cause employer-based health insurance to "unravel." When the Democrats note that McCain would replace the tax break for employer-provided insurance with a tax credit that applies to all health-insurance purchases—something they acknowledge only under duress—they say that it would be a bad deal for workers. The credit would be worth $5,000 for families, but the employer-provided coverage they would lose would typically cost more. What Obama and his aides ignore is that health benefits come out of wages. The long-term effect of McCain's tax reform should be to increase take-home pay. Increased wages and the tax credit should be enough to cover a health policy and the disappearance of the old tax break while leaving money to spare. Every independent assessment of the plan indicates that at least 95 percent of taxpayers would come out ahead.

Obama would mandate that businesses either offer health coverage to their workers or pay the government to cover them. But benefits come out of wages. If the government imposes a per-worker tax, wages will have to drop (as will hiring). Incidentally, this feature of Obama's plan is one of the principal reasons he is wrong to say that he would "cut taxes for 95 percent of people": His health-care plan involves a large tax on employment.

McCain's plan would do nothing directly to alter companies' incentives to offer health coverage. If Obama's plan sets its tax below the cost of coverage, however, companies will have a strong incentive to drop their coverage and pay into the public system. Thus his promise that people will be able to keep their existing coverage if they want it is also dubious.

McCain has done very little to publicize his health-care reform or to defend it against these charges. Nor has he pointed out that Obama's plan would raise taxes on employment or induce employers to drop coverage. These failures on the part of McCain may contribute to his election defeat. But this debate, while frustrating, has not been pointless. Obama may have distorted the truth to slam McCain's health plan but he has also sounded conservative themes in the process. His argument, after all, is that it is wrong for the government to raise health-care taxes or to threaten existing health-care arrangements. Should Obama be elected, these arguments may come back to doom his own plan.

THE LAW

The Courts vs. Marriage

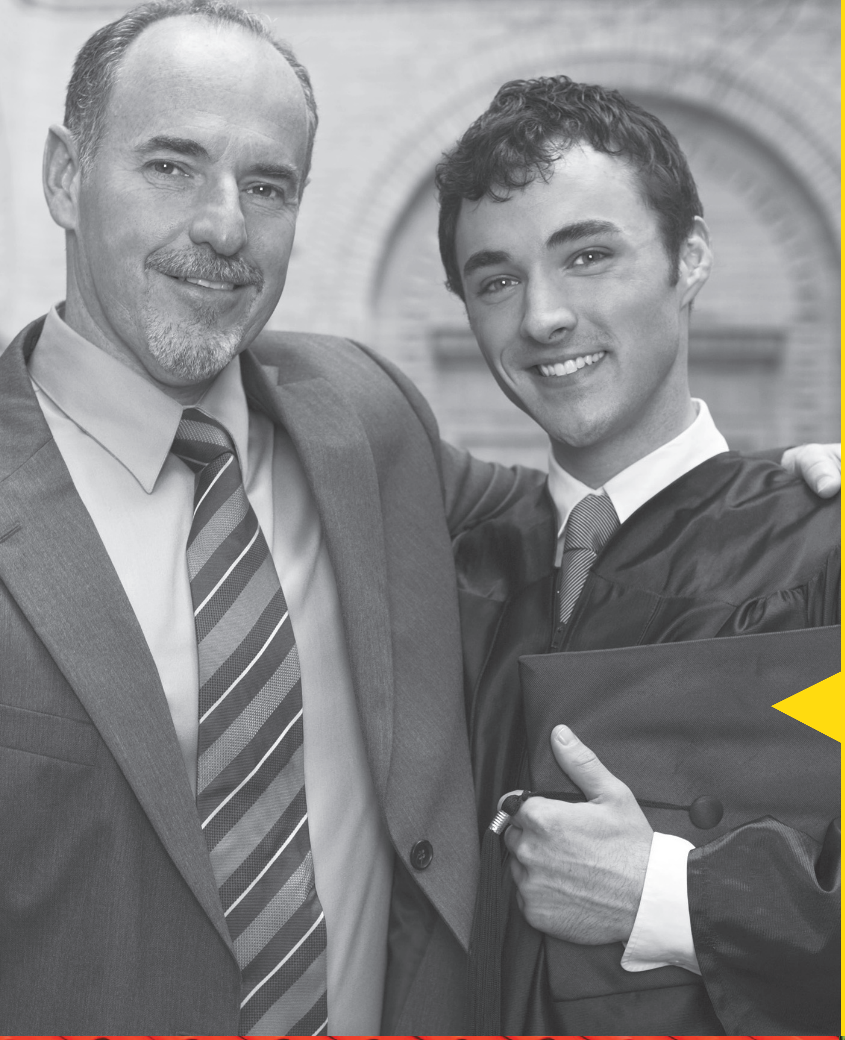
IN 2005, Connecticut enacted "civil unions," designed to be marriage in everything but name for same-sex couples. We are not sure what good purpose is served by such laws. The reason governments recognize marriage in the first place is to promote the well-being of children in the setting most conducive to their flourishing. There may or may not be great value in other types of relationships: those between friends, or heterosexual lovers, or relatives who take care of each other. But why should the government grant recognition to one subset of those non-marital relationships—those between people of the same sex who are sexually involved? What goal does such recognition serve? Other, that is, than the legitimization of homosexual conduct?

But Connecticut, at least, decided the matter democratically. Those people who objected could try to persuade their fellow citizens to repeal the law.

Now Connecticut's supreme court has decided that marriage in all but name is not good enough, and imposed same-sex marriage on the state. Like other courts, the Connecticut court treated the legislature's attempt to meet gay activists halfway as a reason to throw out the compromise and hand the activists a victory. If the legislature was willing to recognize same-sex unions as though they were marriages, the court reasoned, why not call them marriages too? Opponents of same-sex "marriage" should be warned: Thanks to the courts, compromise is now folly.

The courts have so far imposed same-sex marriage on Massachusetts, Connecticut, and California. The next step will be to force other states to recognize same-sex unions solemnized in those jurisdictions. The Defense of Marriage Act protects states that wish to maintain their marriage laws as they are. Senator Obama wants to repeal that act, however, and the Democratic platform comes out for repeal—a position to the left of any previous Democratic presidential candidate. When Obama says that he opposes same-sex marriage, his words mean nothing.

A pity, then, that Senator McCain has not raised the issue. In the vice-presidential debate, Governor Palin even suggested that the tickets agree on same-sex marriage. We are on track to have same-sex marriage from sea to shining sea, without the people ever authorizing the idea. The public will be consulted as little as possible, and only after the fact.



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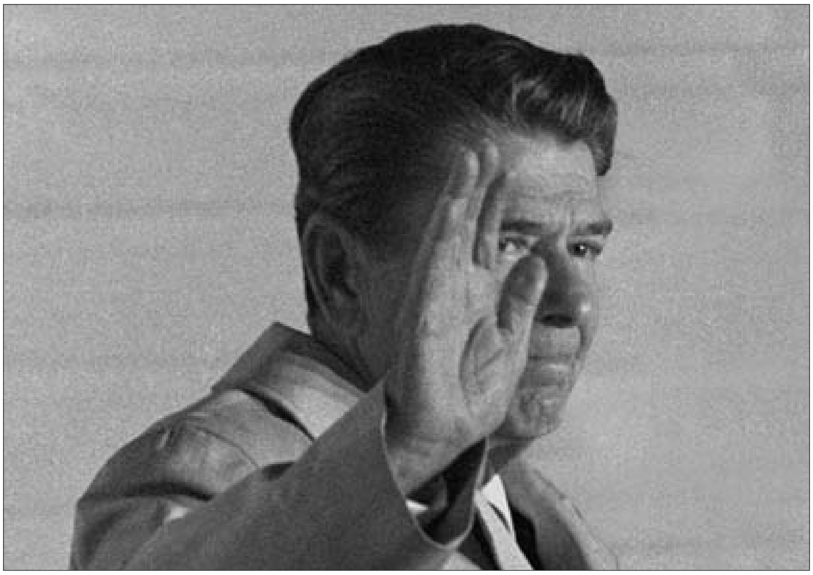

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■ 2008 ■

Era Error

Talk of liberalism's triumph is overblown

RAMESH PONNURU

DURING this election season, liberals have often drawn an analogy to the 1980 election. They drew it at first to explain Barack Obama's poll numbers, which were weaker than one might have expected given the Republicans' unpopularity. The 1980 race was tight for much of the year, too, they explained. The public thought that Pres. Jimmy Carter and liberalism had failed, but did not yet trust Ronald Reagan and conservatism. Then Reagan reassured it, and the election ended up not being close.

Obama, in this analogy, is "the liberal Reagan," which is to say the anti-Reagan. The notion is that the long era of conservative dominance is ending, and Obama might bring down the curtain, inaugurating a new era as Reagan did. Former president Bill Clinton alluded to this possibility in his speech to the Democratic convention in Denver. He did not mention Reagan directly. Instead he said that John McCain "embraces the extreme philosophy that has defined his party for more than 25 years." With unified Republican control of the federal government for most of the Bush administration, the extremists, he said, finally had a chance to implement their philosophy. Having seen its disastrous results, the public now has a chance to repudiate that extremism—presumably, once and for all.

Other liberals make Richard Nixon the center of their analysis. Nixon began the Republican reign, according to this view, by pioneering the strategy of manufacturing and then mobilizing conservative cultural resentments to serve his party's plutocratic ends. "How did Nixonland end?" asked the left-wing author Rick Perlstein in a book released earlier this year. "It has not ended yet." Liberals hope it is ending now. We have a mass upper class that does not share the conservative social views of the hardhats of yore, and many of the people who do still share those views are now letting their economic concerns drive their votes. The result, again, is the end of a conservative era.

Before conservatives quail at that thought, or liberals rally, they should consider whether it is actually true that we have lived through conservative dominance of American politics. An era cannot end if it never began.

It is true that from 1968 through 2004, Republicans won seven of ten presidential elections. But Democrats have controlled the Senate for 22 of the last 40 years and the House for 28 of them.

No political party ever gets its way entirely, of course, but the alleged conservatism of the last 40 years looks pretty weak when compared with the first two-thirds of the last century. Republicans really did dominate American politics from 1896 to 1932, and Democrats really did dominate it from 1932 to 1968. During those periods the minority party occasionally won elections—Woodrow Wilson served two terms as president during the first era, Dwight Eisenhower during the second—but its victories did not threaten the other party's majority status or its ideological assumptions.

But in 1968 the New Deal majority ended without being replaced. From then until now, no party was able to maintain simultaneous control of the House, Senate, and White House for longer than four years running. Control has been divided about 70 percent of the time.

Conservative ideological dominance looks no more impressive than Republican political hegemony. That there have been conservative achievements is undeniable. The top marginal tax rate has dropped by more than half since the 1960s. Welfare has been reformed. Tough sentencing policies have been put in place and prisons built. The American military edge has expanded. Inflation, though it has crept up recently, is nowhere near as high as it once was.

But the last 40 years also saw the birth of the environmental movement and a proliferation of regulations inspired by it; the implementation of affirmative-action policies throughout government, the academy, and business; a marked liberalization of attitudes toward homosexuality; a dramatic liberalization of abortion law; the enactment of strict new regulations on smoking and car safety; the passage of the Americans with Disabilities Act; and a large increase in the percentage of Americans whose health insurance is paid for by the federal government. On neither economic nor social issues, then, have conservatives been unambiguously triumphant.

In some of these cases, policies ended up to the left of public opinion because the less democratic institutions in American life—the courts, the permanent bureaucracies, the media—exerted a strong influence. These institutions had some influence, as well, on elections. (Think how much weaker the liberal coalition would be at election time if courts did not relieve it of the need to defend the least popular elements of its agenda.)

But public opinion is doubtless the most important reason neither party has managed to recreate the type of dominance that existed in the past. The Democrats, in their post-1968 incarnation, struck middle-class voters as hostile to their values on issues of race and crime, sex and family, religion and patriotism, work and welfare. Republicans, meanwhile, often seemed indifferent or worse to their economic aspirations. Even in the 1980s, when Republicans presided over a boom, their lack of enthusiasm for entitlement programs limited their appeal on economic issues. (Ross Douthat and Reihan Salam develop this point at some length in their recent book *Grand New Party*.)

If the conservatism of the recent past has been exaggerated, so is the leftward shift we are now undergoing. Look at the proportion of Americans who consider themselves "conservative" rather than "liberal": These numbers have been pretty stable for years, with conservatives significantly outnumbering liberals. Gallup asks whether government is "doing too many things that should be left to individuals and businesses" or "should do more to solve our country's problems." The month Reagan took his oath of office a second time, the country split 57–38 percent for the conservatives. In September 2008, it split 53–41 for the conservatives.

CBS and the *New York Times* ask whether people would prefer a bigger government with more services or a smaller government with fewer. In January 1989, right in the middle of the alleged conservative ascendancy, supporters of bigger government formed a 48–41 percent plurality. This spring the sides were tied at 43 apiece. By a 61–25 percent margin, Americans told Gallup in 2006 that "big government" was a greater "threat to the country" than "big business."

Large majorities of the public tell pollsters that they favor national health insurance, at least when its drawbacks are not mentioned. But that has been true for decades. "This notion that people want more activist or compassionate government than they used to want—I see very little evidence for it," says Karlyn Bowman, a straight-shooting public-opinion analyst at the American Enterprise Institute.

In 2006 the Pew Forum released a survey purporting to show, among other things, that people had turned more liberal on social issues over the last 20 years. The proportion of Americans who believed that gays should be able to teach in grade school, for example, had doubled to 54 percent. The proportion who believed that women should have an equal role in the workplace and politics had doubled, too. On these questions both self-described liberals and self-described conservatives were more liberal than their counterparts of two decades ago.

Neither of those questions, however, ever had great political salience. The Republican party never took an explicit stand against gay teachers or women in the workplace. (In 1978, Reagan opposed a California referendum that would have banned gay teachers.) Look at social issues with high political salience, and the liberalizing trend largely disappears. Since September 1995, Gallup has asked Americans whether they think abortion should always, usually, rarely, or never be legal. The May 2008 numbers show a gain of six points for the two pro-life options and a drop of five for the two pro-choice ones.

If the conservatism of the recent past has been exaggerated, so is the leftward shift we are now undergoing.

Public opinion on gun control has moved rightward, too. In 1990, Gallup found that 78 percent of the public wanted stricter laws. An October 2007 poll finds that only 51 percent do.

Unquestionably the public is much more supportive of same-sex marriage than it used to be. Support used to be so low that polling questions on it were not regularly asked. Since the issue achieved national prominence in late 2003, when the top court of Massachusetts made it a statewide policy, however, public opinion has basically been frozen, with a majority opposing it. Asked whether same-sex couples should be able to marry, be able to form civil unions, or have no legal recognition, only 30 percent of adults favored marriage rights in a June poll for CBS. (The poll found 40 percent support among Americans under 30.)

The public has clearly moved away from the Republican party in recent years: Fewer Americans identify as Republican than did during the 2002 or 2004 elections. But even this much-discussed "party ID" number has shifted less than you might think. The 2002–05 period was a Republican peak. The Democratic advantage right now is around where it was during the 1980s. Bowman notes that Republicans may have slumped not because the public's ideology has changed but because its view of their performance has. Since the polling evidence does not indicate any marked leftward shift in public views on policy questions, that theory is probably right.

Some liberals have lately touted the possibility that corporate executives, as a class, are moving left. This group has generally been hostile to ideological politics of any sort, and favorably disposed toward corporate welfare, but generally allied with conservatives. The desire of businesses to offload their health-care costs onto the government may make them friendly to Democratic health-care proposals—and indeed several business groups have made friendlier noises about Obama's plan than about McCain's. Some of this apparent realignment, however, merely reflects a surge in Democratic fortunes that may prove temporary. Business wants to back, and cut a deal with, the winner. Much of the business community went into the health-care fight of 1993–94 supportive of the Clinton administration. "It's only the big myth that business is a natural ally of free markets that makes people shocked when business calls for [government] protection," says Tim Carney, author of *The Big Ripoff*, a book about business-government collusion.

Whether it is a hope or a fear, the expectation that we are moving from a conservative to a liberal era of political dominance is overblown. Obama's election would be a serious setback for the Right. Whether McCain or Obama wins, conservatives will have some glaring weaknesses to address—but they will also have considerable room to maneuver. **NR**

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■ 2008 II

Barack's Grenade-Lobber

Meet political strategist David Axelrod

MARK HEMINGWAY

IMAGINE the following scenario: A handsome, charismatic minority candidate defeats a heavily favored Democratic insider for the presidential nomination in an acrimonious race that drags out all the way to the convention. He then finds himself running in the general election against an aging, moderate Republican senator frequently at odds with his own party.

The current presidential race? Maybe, but it's also the plot of the final season of *The West Wing*, which aired in 2005 and 2006. The similarities are not entirely coincidental.

Barack Obama's chief strategist, legendary political consultant David Axelrod, was fresh off Obama's successful Senate race when Eli Attie, a former speechwriter to Al Gore who was writing for *The West Wing*, had several conversations with him. Attie says he drew considerable inspiration from Axelrod's impressions of Obama when conjuring Hispanic congressman Matt Santos, the successful dark-horse candidate on the show. Earlier this year, the web magazine *Slate* even edited the speeches of Obama and Santos together into an almost indistinguishable whole.

It appears that Axelrod, after decades of tinkering in the political laboratory, finally has in Barack Obama the perfect embodiment of his ideas about what makes a candidate appealing. Sometimes it's hard to know where Axelrod ends and Obama begins—a lengthy profile of Axelrod in *The New York Times Magazine* observed: "When he talks about his own ideas, Axelrod has a habit of substituting anecdotes not from his own life but from Obama's . . . as if his is a compounded, and cultivated, existence." Indeed, a close look at the career of David Axelrod suggests that Obama is the magnum opus of a brilliant political consultant.

Axelrod was raised in New York, the son of a psychologist father and a mother who worked for the left-wing newspaper *PM* in the 1940s. (David Mendell's *Obama: From Promise to Power* quotes Axelrod's referring to his parents as "classic New York leftists.") Axelrod began working as a journalist while still an undergrad at the University of Chicago, and was hired by the *Chicago Tribune* straight out of college. The paper soon let him loose on City Hall, but Axelrod wasn't content to sit on the sidelines, and many believe he used his perch to champion the 1979 mayoral candidacy of Jane Byrne. Against the odds Byrne got elected, but her mayoralty was not successful, and Axelrod's coverage turned accordingly negative.

Axelrod left the paper in 1984, citing (according to Mendell) concerns over its "corporatization" and disagreements with his superiors. When Axelrod walked away from the *Tribune*, he was unusually close to Chicago's influential media players and labyrinthine political establishment. Despite having no real political experience, he was almost immediately hired by Democrat Paul Simon. Axelrod helped handle Simon's ultimately successful Senate bid, and the consultant's career took off like a rocket. Of the eight candidates who ran for the Democratic presidential nomination this election, Axelrod had worked for five.

Axelrod is known for two things. One is race. He has been particularly adept at running black candidates and helping them win support from white voters. He has helped elect black mayors in Cleveland and Chicago, as well as in majority-black cities such as Detroit and Washington, D.C. In 2006 he helped elect Deval Patrick, the current governor of Massachusetts and the first black person to hold that office. Patrick's election was seen by many as a trial run for Obama's presidential campaign. The themes are notably similar. Patrick's slogan was "Together We Can." And, as Hillary Clinton's campaign noted at the time, one of Obama's speeches heavily plagiarized one of Patrick's. Axelrod was probably the primary author of both.

The second thing that distinguishes Axelrod is his willingness to be merciless, even borderline underhanded, to political opponents. Republican consultants fear him. Ed Rollins, who's handled campaigns ranging from Ronald Reagan's 1984 presidential bid to Mike Huckabee's shot at the nomination this year, put Axelrod on the top of his list of "guys I never want to see lobbing grenades at me again." Mike Murphy, who's advised Arnold Schwarzenegger and Mitt Romney, calls Axelrod "very, very dangerous."

Before Axelrod signed on with Obama's Senate campaign, he interviewed to work for Blair Hull—Obama's main challenger and then the favorite to win the Democratic primary. A former professional gambler turned securities trader, Hull was exceedingly wealthy and willing to spend millions. During interviews with Hull, Axelrod mentioned some ugly rumors surrounding Hull's divorce. Hull acknowledged the rumors but declined to give Axelrod specifics. Axelrod eventually joined Obama's Senate campaign and, wouldn't you know it, right as Obama's television ads began in earnest, the details of Hull's divorce surfaced in the *Tribune*. Many found the timing suspicious—even if Axelrod wasn't given details, he had a good idea of Hull's vulnerabilities and where to start looking for the dirt.

Axelrod is an expert at clandestine political attacks.

Axelrod is an expert at clandestine political attacks. According to *BusinessWeek*, he is the "master of 'Astroturfing'"—the art of planting messages on the Internet and elsewhere to make it look like there's a grassroots movement supporting your position. Axelrod operates ASK Public Strategies, an incredibly secretive PR company that "discreetly plots strategy and advertising campaigns for corporate clients to tilt public opinion their way." Axelrod won't talk about ASK and has rebuffed media requests to see a client list, though *BusinessWeek* determined the firm had worked for big-name corporate clients such as AT&T and Cablevision.

Throughout the presidential campaign a number of suspicious "anonymous" attacks have been traced back to the Obama camp. First, an anti-Hillary YouTube video (parodying Apple's infamous *1984* Super Bowl ad) turned into an Internet sensation, with 2 million views in two weeks. Obama's campaign denied involvement, but it was later revealed that the ad's creator had multiple ties to the campaign, and had lived with the campaign's press secretary. More recently, a professional PR firm with extensive Democratic ties was caught uploading videos to YouTube that spread falsehoods about Sarah Palin. The videos used the same voiceover artist employed by Axelrod's firm and the Obama campaign. Similar incidents abound.

If there's any common thread to Axelrod's work in politics, it's that—as *The Economist* recently put it—he "firmly believes that the candidate is the message. The important thing is to tell a positive story about the candidate rather than to muddy the narrative with lots of talk about policy details." Unlike many political consultants, Axelrod is not known for his interest in policy; his acumen appears to stop at the water's edge of governance. He is drawn to candidates who are exciting, rather than proven or capable.

Many of the politicians he has supported, starting with Byrne, have failed in office. Patrick's governorship has been unpopular, marked by fiascos involving the gutting of educational standards and a failed attempt to expand gambling in Massachusetts to deal with overwhelming budget woes. And the administration of Chicago mayor Richard M. Daley—whom Axelrod faithfully supports—has been marked by rampant corruption. Former Chicago alderman and University of Illinois political science professor Dick Simpson told the *New York Times*, "David Axelrod's mostly been visible in Chicago in the last decade as Daley's public relations strategist and the guy who goes on television to defend Daley from charges of corruption."

For the inexperienced Obama, a better comparison than *The West Wing* might be Robert Redford's *Candidate*, in which some shrewd political consultants help an inexperienced lawyer run for office. Having won the race, all Redford's character can do is stare and ask, "Now what?" Should Obama ask that question, it's unlikely Axelrod will have answers. **NR**

■ **2008 III**

Pushing 60

Democrats could acquire a filibuster-proof majority

DAVID FREDDOSO

After the election of 2004, Republicans controlled 55 seats in the Senate. It is anyone's guess whether after this election they will have even 41 seats—the minimum number to prevent cloture, which requires 60 votes. If they cannot filibuster, conservatives face a grim future. Come January, it could include a President Obama with no checks whatsoever on his ability to enact new legislation and tilt the Supreme Court significantly to the left.

Potential losses abound for Senate Republicans this year, with even a single pickup unlikely. Early on, the GOP simply failed to mount a credible challenge to the ailing Tim Johnson of South Dakota, whom they had nearly defeated in 2002. Their best pickup opportunity is against Mary Landrieu of Louisiana, but her challenger, Louisiana treasurer John Kennedy, lags far behind in the polls.

The real action is on the defensive side, where Republicans' future is even cloudier. The categories for races there include "Hopeless," "Pretty Bad," and "Still Pretty Bad." There is also the one-member category of "Maybe, If He Is Acquitted"; believe it or not, that may be one of the GOP's more promising races.

The open Republican seats in Virginia and New Mexico fall into the "Hopeless" category. Neither of the Republican candidates—former governor Jim Gilmore in Virginia, and Rep. Steve Pearce in New Mexico—has managed to cut into his opponent's double-digit lead. Both of these races were left for dead early on by the national Republican party.

The category of "Pretty Bad" includes several races in states that were once believed to be at least competitive for Republicans. Democrats enjoy clear leads in Minnesota (over incumbent Norm Coleman), New Hampshire (over incumbent John Sununu), and Colorado (where a seat is open).

Sununu, who made no serious mistakes during his freshman term in the Senate, has managed through dogged persistence to narrow a double-digit deficit against Jeanne Shaheen, a former governor, to the single digits, but he trails all the same. Shaheen's most effective tactic has been to pin President Bush to the incumbent's tail with her advertising, even using the song "Where You Lead, I Will Follow" to describe their relationship. She has vigorously attacked Sununu's vote in favor of the financial bailout, to great effect. It is a dramatic reversal of 2002, when Bush's popularity helped Sununu narrowly defeat Shaheen.

In Colorado, Republican Bob Schaffer, a conservative who left the House in 2003 in accordance with a pledge to serve no more than three terms, trails Rep. Mark Udall, the Democrats' Senate candidate. Schaffer's efforts to highlight Udall's left-wing record have had little success in diminishing the Democrat's edge. This race may be as close as it has been in part because of Schaffer's popularity and in part because of ineffective Democratic tactics—they spent the spring demonizing Schaffer as a tool of Big Oil because of his stance in favor of more oil drilling, right before gasoline hit $4 a gallon and even Udall had to endorse offshore drilling. But Schaffer remains a clear underdog in a state where the Obama campaign has invested heavily.

Republicans believed they had caught a break in Minnesota when Norm Coleman drew comedian Al Franken as his opponent. It has not proven to be so funny. As Obama surges in Minnesota, Franken has taken a narrow lead in most polls. The entry of Independence-party candidate Dean Barkley into the race, however, has made it unpredictable, since he attracts nearly 20 percent support. Coleman has now promised to stop running negative ads—a novel strategy that in most situations would fail, but the consequences of which cannot be predicted in the current environment, especially in a state that prides itself on being "Minnesota nice." Recall that Coleman won here in 2002 after Democrats put on a public display of bitter partisanship at the funeral of the late Paul Wellstone.

The "Still Pretty Bad" category also includes three states once believed to be safe for incumbent Republicans. In Oregon, Sen. Gordon Smith, a GOP moderate, tried to buck this year's trend by boasting of his ties to, and willingness to work with, Obama. After leading through most of the summer, Smith trailed Jeff Merkley, speaker of the state house, in the two most recent surveys.

At this point, few Republicans are confident about the reelection of Sen. Elizabeth Dole in North Carolina. In six of the seven most recent surveys, she trailed Democrat Kay Hagan, a state senator who has eviscerated Dole for her residency in Washington and an alleged neglect of affairs back home.

The outcome of Alaska's Senate race, between Republican incumbent Ted Stevens and Anchorage mayor Mark Begich, may turn on a legal proceeding—Stevens's ongoing federal trial. If he is acquitted of lying about alleged gifts from a corrupt oil-services firm on his Senate financial-disclosure forms, Stevens might survive the election. For now, he trails narrowly in the race, but a judge has thrown out much of the critical evidence against him.

At least three other Senate races are also uncomfortably close for Republicans playing defense. In Mississippi, Roger Wicker, who was appointed to office upon Trent Lott's resignation, is holding a slim lead as he tries to keep his seat in a special election. Strong Obama turnout could hand the seat to Democrat Ronnie Musgrove, a former governor. It does not bode well for Republicans that Democrats seized Wicker's vacated House seat in a special election after he entered the Senate late last year. Sen. Saxby Chambliss, a Georgia Republican, enjoys slightly better prospects, but he too clings to a single-digit lead in his deep-red state.

Even Senate minority leader Mitch McConnell, of Kentucky, is in a much closer race than Republicans would like to admit. His method of staving off the challenge has been to promise heaping servings of legislative pork to Kentucky. His advertisements mention his ability to bring earmarks to the state, and his wife, U.S. labor secretary Elaine Chao, recently boasted of the $500 million her husband brought home in pork projects last year. The pork strategy has not prevented McConnell's opponent, Bruce Lunsford, from narrowing the gap to single digits.

Anything can happen in this campaign's final weeks, but Republicans have too many vulnerabilities to defend in the Senate, and they are facing a bloodbath that could leave a President Obama completely unchecked. A filibuster-proof Democratic majority in the Senate would offer Obama a chance to reshape America's social and fiscal policies, perhaps permanently.

This year's failed cloture votes provide some indication of what that could mean, as do Obama's campaign promises. The Employee Free Choice Act, which would abolish workers' guarantee of secret-ballot elections when they decide whether to be represented by a labor union, received 51 votes toward cloture in June 2007, with Sen. Tim Johnson, a South Dakota Democrat, absent. With just a few more seats, Democrats could also put middle-class children into government health care through the State Children's Health Insurance Program (SCHIP). Carbon cap-and-trade legislation, which would significantly increase consumer energy prices, received 48 of the 60 votes needed for cloture, but that was in the absence of Obama, Hillary Clinton, Joe Biden, Ted Kennedy, and two other Democrats. The Democrats' energy bill, which provided no actual new energy but did include a crackdown on "speculators" and a 25 percent windfall-profits tax on oil companies, failed in June with 51 votes toward cloture, with three liberal Democrats absent.

Obama's plans for higher income and capital-gains tax rates could be made permanent immediately in a filibuster-proof Senate. His judges, no matter how radical, probably would be confirmed without any serious difficulty.

A filibuster-proof Democratic majority could also help Obama keep his promise to Planned Parenthood to sign the Freedom of Choice Act, which would re-legalize partial-birth abortion and strike down all the other incremental gains that pro-lifers have made in law on the issue. The bill, which has never received a floor vote, currently has 19 Senate co-sponsors, all of whom are certain to be in the Senate next year, except for Obama himself.

Voters may well hand Democrats a 60-seat Senate majority in the 111th Congress. Before they do, they should at least be aware that they would be handing the Left the keys to the store. **NR**

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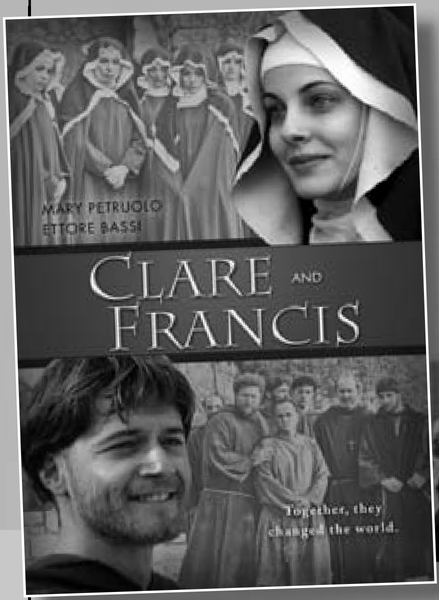

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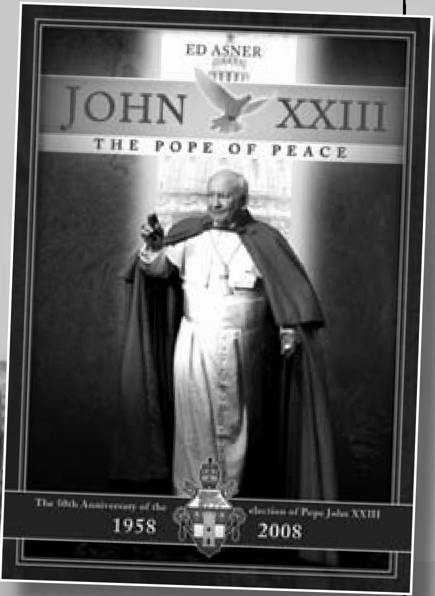

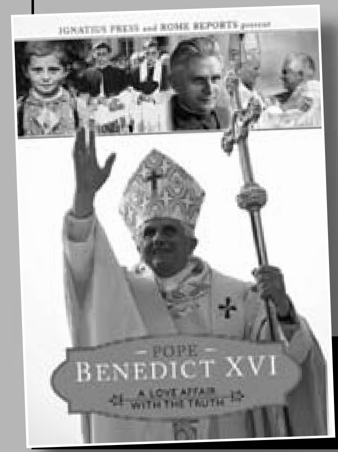
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■ 2008 IV

Obama’s Core

The West, for him, is not the best

MICHAEL KNOX BERAN

Leon Trotsky’s *The Russian Revolution* does not occupy a high place in the literature of conservatism. But the old Bolshevik could on occasion be perceptive. Analyzing the improbable rise of Rasputin, he noted how frequently shamanism flourishes in the bowels of a decaying oligarchy, when the languishing elites crave the stimulus that only a certain kind of messianic figure can give. The commissar had a point. In the fourth *Eclogue*, Virgil beguiled the patricians of the collapsing Roman republic with a vision of a miraculous child who would inaugurate a golden age. Eighteen centuries later such charlatans as Mesmer and Cagliostro practiced their mystic arts in the salons of the *ancien régime*.

True to the morphology of exhausted elites, it is the privileged element in the American polity that has proved most susceptible to Barack Obama’s appeal. Historians of the future, seeking to understand this enthusiasm, may well conclude that it was a kind of despair, the despair of those who, having lost their faith in the traditional remedial institutions of their culture, embraced a mirage.

T. S. Eliot put his finger on the problem when he compared the poetry of Dante to that of the modern age. Dante’s poetry, Eliot said, stood for a “principle of order in the human soul, in society and in the universe.” Eliot suggested that the old poetic culture of the West, with its emphasis on harmony, proportion, and order, brought coherence to the world and did much to reconcile men and women to the larger rhythms of life. The roots of this culture, Werner Jaeger showed in his classic study, *Paideia*, grew out of the Greek belief that poetry and music, together with rhythm and harmony, powerfully influence the mind and are therefore one of the bases of civilization. Fletcher of Saltoun expressed the Greek view when he said that “if a man were permitted to make all the ballads, he need not care who should make the laws of a nation.”

Already in the 19th century, Nietzsche detected in Europe a “brutalization and decay of rhythm.” Generalizations are over-simple, but the culture that has to a great extent replaced the old poetic culture values cacophony rather than harmony, brokenness rather than wholeness, and ungraceful forms of order rather than those grounded in poetic rhythm. The new culture—a significant force in education, popular entertainment and the arts, and modern architecture and town planning—has much less unifying power than the old culture; its perfection lies not in the organic whole but in the isolated fragment. Eliot, indeed, formed *The Waste Land* out of poetic fragments in part because he was attempting to render, in verse, the effect on the mind of the desolate and fragmented waste land he found modern life to be.

Whatever its merits, the new culture has failed to give people the tools they need to amalgamate disparate experience and perceive what the Greeks called the “wholeness of life.” Dissatisfied and profoundly isolated, confined, in Tocqueville’s image, “within the solitude of his own heart,” the modern man, and in particular the modern man who comes from the well-to-do and predominantly agnostic classes, seeks consolation in the various and always inadequate intellectual and spiritual opiums on sale in the philosophical markets—Marxism, psychoanalysis, multiculturalism, Weatherman-style radicalism, the pharmaceutical eucharist of the anti-depressant tablet.

Obama is, if not quite the messiah of this new culture, certainly an artifact of it. He discovered early that what he calls his “story,” that of a multi-racial prophet equally at home at Harvard and in the slums, struck the profoundest chords in desolate upper-caste hearts. Middle America, by contrast, has mixed feelings about the new culture. It has embraced television and adjusted to a new set of musical rhythms, but it remains suspicious of other elements of the modernist and progressive sensibility. Obama’s healer-redeemer qualities, which find so warm a reception in the hearts of the elites, make Joe Six-Pack uneasy. Were it not for the coincidence of his candidacy with a stock-market panic, the Democratic nominee’s campaign for the White House would almost certainly end in failure. But the stock market crashed, and as a result Obama is, at this writing, the front-runner.

The conservative case against Obama goes beyond both questions of policy and questions about his record and background. Obama is widely regarded, by his supporters, as a visionary statesman, yet nowhere in his rhetoric does he bring this visionary power to bear on the most pressing problem of the age, the vulnerability of the old culture of the West, which is the ultimate source of its freedoms.

The omission is disconcerting. Like Obama, I am a graduate of Columbia College. I arrived on the campus in the fall of 1984, a little more than a year after he took his degree. I understand that he almost never speaks of Columbia, and to do him justice, there was much that was grim in pre-Giuliani Morningside Heights. But Columbia nevertheless had (and still has) its Core Curriculum, a group of obligatory courses in literature, art, and music that force the student to come to terms with the miracle of Western civilization—with the Greeks, Virgil, Dante, and Shakespeare; with Montaigne, Locke, Hume, Smith, Marx, and Mill; with Bach and Beethoven and Mozart. Of course you don’t take it all in at 18 or 19, but even so the Core is bound to be one of the memorable intellectual experiences of a thoughtful person’s life.

Yet the Core seems to have made little impression on Barack Obama. Its themes find no echo in his reflection on politics, *The Audacity of Hope*. Thucydides, describing the plague at Athens, showed that the virtues which characterize Western civilization at its best—freedom, a sense of fair play, a consciousness of the dignity of human life—cannot be taken for granted. Obama is much less attentive to the fragility of the West’s peculiar culture. In Berlin he spoke of tearing down the walls that separate Western nations from the rest of the world: “People of the world—this is our moment. This is our time. . . . There is no challenge too great for a world that stands as one. . . . The walls between the countries with the most and those with the least cannot stand.” This wall-wrecking sentiment is in some ways admirable, but those with a heritage as unique as ours can consent to such a demolition only if we are certain that

Mr. Beran is a contributing editor of *City Journal*. His most recent book is *Forge of Empires 1861–1871*.

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the culture that has made us what we are will afterwards be safe.

When Obama *does* speak of the value of American culture and the larger civilization of which it is a part, there is invariably a false note. As “long as I live,” he said in Philadelphia in March, “I will never forget that in no other country on earth is my story even possible.” The worthiness of the conviction is tempered by its narcissism; it is as though Pericles, in his funeral oration, offered as proof of the greatness of Athens the fact that it had made his own “story” possible.

Barack Obama is not the right leader to preside over this moment of crisis in the West, when the old civilization is dying in Europe and has lost its hold on the greater part of this country’s ruling classes. John McCain is the better choice: His experience has given him a keener sense of history and of the world. Some people are skilled in talking about the defense of freedom and civilization; McCain has actually defended them. He is not so stirring an orator as the senator from Illinois. But he has only to walk into the room, and his presence sounds the theme. **NR**

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■ **2008 V**

The Real Ayers Issue

It’s about revolution, not terrorism

ANDREW C. McCARTHY

‘L*A educación es revolución!*” Bill Ayers, the former Weatherman terrorist who is Barack Obama’s friend and “education reform” collaborator, was opening the World Education Forum in Venezuela. It was just two years ago, November 2006. As a beaming Hugo Chávez looked on, Ayers roused a throng of “invited guests, comrades,” touting the world’s classrooms as the frontline for the Left’s anti-American revolution.

Ayers has never made a secret of the fact that he is not just a man of the Left but a *revolutionary*. The revolution in the classroom, he repeatedly and defiantly maintains, is the same revolution he has served for 40 years, the same revolution that inspired him to bomb the Pentagon, the U.S. Capitol, and other American targets beginning in the late Sixties. On this day in Caracas, he gushed with praise for Chávez’s “Bolivarian Revolution and . . . the profound educational reforms underway here in Venezuela.” Against capitalism—which, he said, “promotes racism and materialism” and “turn[s] people into consumers, not citizens”—he contrasted Chávez’s police state: a “beacon to the world.”

In the electoral stretch-run, as concerns mount over his long association with Ayers, Barack Obama and his campaign have finally settled on a curt narrative: Obama was only eight years old when Ayers carried out “detestable” terrorist bombings. As critics of the Ayers tie append “unrepentant terrorist” to each mention of Ayers’s name, Obama partisans deftly deflect the outrage: “So what are you saying, that Obama is a terrorist?”

No one is actually saying that, so the critics are duly cowed. As they shrink from the bracing linkage of *Obama* and *terrorist*, the relieved Obamedia brush the entirety of their case aside.

Of course, Ayers’s terrorism is relevant. Americans are right to wonder why Obama would consort with such an execrable figure. But it has never been the main issue. When it comes to Ayers, it’s revolutionary Leftism that matters. The ideology that drives Ayers is what drew Obama to him.

Discomfited by the increased scrutiny over Ayers, Obama counters with elite academia’s imprimatur: Ayers is now a distinguished education professor at the University of Illinois at Chicago. Just last March, the 25,000-member American Educational Research Association elected Ayers its vice president for curriculum. These attainments, though, are no answer. Americans are inured to the non-stop excesses of what Roger Kimball calls our “tenured radicals.” Accolades from the academy do little to assuage concerns about Obama’s dalliance with a bomber whose only regret is his failure to have carried out more bombings.

And would that it were just a dalliance! Obama’s dishonesty about the relationship has slowly become obvious. First, he tried to minimize Ayers as just “a guy who lives in my neighborhood.” Obama’s campaign risibly told the credulous *New York Times* that he and the former terrorist met for the first time in late 1995 at the Ayers home, where Ayers and his wife, former Weather Underground terrorist Bernardine Dohrn, hosted the event that launched Obama’s political career.

Inevitably, thanks largely to the dogged research of NATIONAL REVIEW’s Stanley Kurtz, it emerged that Obama and Ayers had collaborated on a six-year, $160 million “education reform” project known as the Chicago Annenberg Challenge. The CAC was the brainchild of Ayers, who ran its operational arm. Obama was brought in to chair the board that approved program grants: tens of millions of dollars that seeded such leftist redoubts as the Small Schools Workshop—run by Mike Klonsky, Ayers’s Maoist associate—and ACORN (the Association of Community Organizations for Reform Now), a group (long associated with Obama) whose fraudulent voter-registration practices are now tainting yet another election cycle.

Obama and his allies have shifted their version of events as new facts have trick-

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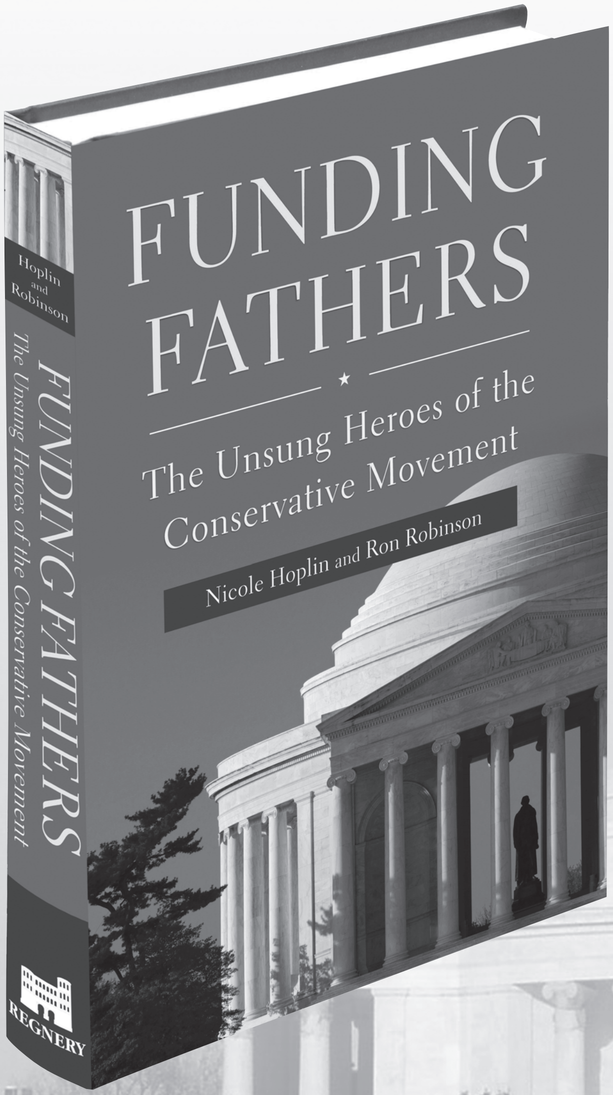
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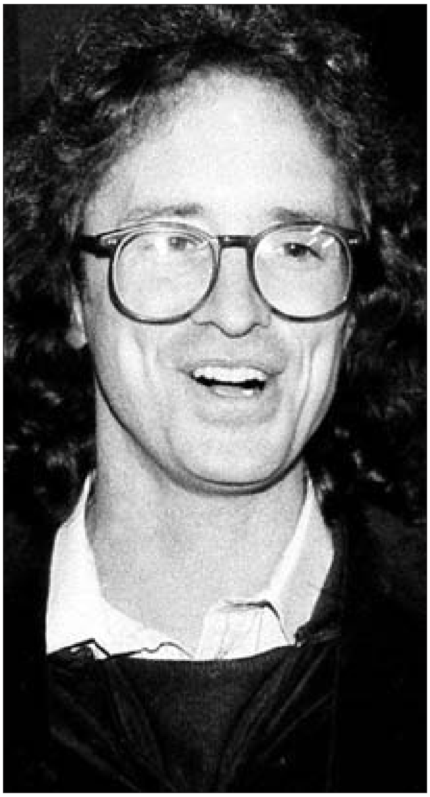
led out. In October, the *Times*—in an attempt to whitewash the Ayers tie—tacitly revised its prior reporting (which had neglected to mention the little matter of the CAC, the candidate's only significant executive experience). The first encounter between Obama and Ayers was now supposed to have been "a lunchtime meeting about school reform in a Chicago skyscraper" some months before Obama's famous debut in the Ayers living room. This, too, is implausible. At the time, Obama was an unknown, inexperienced, 33-year-old third-year associate at a small Chicago law firm. Would a committed activist like Ayers, whose allies had been hardcore radicals willing to die for the cause, entrust the goldmine that would bankroll his revolution to such a novice just because Obama made a nice impression over salad?

The origins of the relationship remain shrouded in mystery, though clues abound. Obama and Ayers walked the same path from Morningside Heights to Hyde Park. Obama was a student at Columbia from 1981 to 1983. He refuses to discuss those years; it is known only that he studied for at least some time under Edward Said, the late PLO apologist. Ayers first settled near Columbia when he and Dohrn emerged from fugitivity in 1980. Perhaps coincidentally (and perhaps not), Ayers is an ardent admirer of Said, who (like Obama) heaped glowing public praise on one of Ayers's books. And years later, when they sat together on the board of the left-leaning Woods Fund in Chicago, Obama and Ayers financially supported Rashid Khalidi, another Arafat devotee who left the University of Chicago to become Columbia's Edward Said Professor of Middle East Studies.

While Obama was at Columbia, Ayers studied at nearby Bank Street College of Education. After graduating from Columbia, Obama soon became a "community organizer" in Harlem before relocating to Chicago in 1985 to direct the Developing Communities Project (an offshoot of the Gamaliel Foundation, dedicated to Saul Alinsky's principles for radicalizing society). Ayers, meanwhile, remained in the Harlem area until 1987, when he received his doctorate at Columbia's Teachers College and went off to teach at UIC.

In Chicago, both men became embroiled in a major education controversy that resulted in citywide reform legislation in 1988. By then, though she could not be admitted to the bar due to a prior contempt citation, Bernardine Dohrn was working at Chicago's prestigious Sidley Austin law firm, an intern position she secured with the help of Ayers's father, the influential Chicago businessman Tom Ayers—a staunch liberal who was also enmeshed in the education-reform effort. At Sidley, Dohrn overlapped with Obama's wife, Michelle, then an associate at the firm. Dohrn left Sidley in 1988, shortly before Obama arrived there as a summer intern after his first year at Harvard Law School.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Bill Ayers, circa 1980

Now, maybe it's true that a pair of guys who, beginning in 1981, traveled the same path, admired some of the same people, drifted through Chicago's leftist circles, and embraced the same "reform" cause really didn't know each other until they became fast friends and partners in 1995. Pardon my skepticism. There is, in any event, enough common ground here that Obama, having failed to make Ayers disappear, is now trying to marginalize him—preposterously. So we have David Axelrod, Obama's top political adviser, hilariously chirping, "*There's no evidence* that they're close." (Emphasis added.) Translation: Get back to us when you have more damaging information—until then, we don't need to refine our story further.

Yet they do refine away, as the evidence mounts. Obama first grudgingly admitted that Ayers wasn't just "a guy who lives in my neighborhood," but a guy with whom he sat on a couple of boards and with whom he occasionally sat on panels. Yet even this new account is impossible to square with the lengthy partnership, the dollars involved, and the fact that at least one of their joint panel appearances (at the University of Chicago) was arranged by Michelle Obama, then an associate dean—to say nothing of the rave review ("a searing and timely account") Obama wrote in 1997 for *A Kind and Just Parent*, Ayers's leftist polemic against the criminal justice system.

So Obama tried yet another tack: He didn't know about Ayers's terrorist past when they first became associated in 1995. But that won't fly either. Ayers is proud of his past. For a leftist revolutionary, constructed history is a tool of the trade, so sure, Ayers falsely claims the Weathermen took pains to do only property damage, not kill or maim people. Besides that, though, he can't stop talking about, and urging others to draw lessons from, his bomber days. (I'll leave aside that he and Dohrn raised a child of their co-conspirators, who are serving lengthy sentences for the Brinks murders, and named one of their sons after a Black Panther killed in a shootout in which a New Jersey state trooper was murdered.)

Obama—intelligent, highly educated, and (as he has written) extremely careful about his associations—unquestionably knew exactly who Ayers was. And in the inconceivable event that he didn't, he would no doubt have learned about it from Ayers in the first five minutes.

So now we're on to Version Three (or thereabouts): Obama *might possibly* have known who Ayers was, but he thought Ayers had been "rehabilitated" as a nationally renowned educator. Ayers, however, has never been a mere educator. He is, by his own account, a leftist revolutionary, an activist who sees the classroom as a more promising battlefield—or, *Introducing the world's simplest cell phone experience – with service as low as $10 a month**

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as he puts it, "contested space"—than the Pentagon or the Capitol.

"Do you really think Obama is a terrorist?" No. It wasn't Ayers's terrorism that attracted Obama. It was Ayers's leftist revolution. We can take Obama at his word that he condemns the bombings. But Obama was front and center for the revolution.

Ayers's revolution is Obama's "change." Ayers's "participatory democracy" through "popular empowerment" is Obama's ACORN. Ayers's rage against the criminal justice system that paints America as an apartheid state and prison as a fading antique is Obama's "searing and timely account." The joint Ayers/Obama pursuit of "social justice" is seen in their joint underwriting (through the Woods Fund) of Marxist black-liberation theology at Jeremiah Wright's Trinity Church, and of Khalidi's Arab American Action Network—an organization that condones Palestinian terror while promoting public welfare and drivers' licenses for illegal aliens in the U.S. Further, when it comes to "education reform," the most significant of the duo's shared passions, capitalism is the root cause of racism while Chávez's Venezuela is "a beacon to the world."

Obama may have been eight years old when Ayers bombed the Pentagon. But he was Ayers's partner in 1995 when the former terrorist was publicly describing himself as "a radical, leftist, small-'c' communist." Obama was an elected official in Illinois when, on 9/11, the *Times* published Ayers's sentiments that he regretted only failing to set more bombs and (a few days later) that America still "makes me want to puke." Obama was a U.S. senator planning a presidential run in 2006 when Ayers made his speech in Caracas—and when he gave an interview to *Revolution* magazine (the self-styled "Voice of the Revolutionary Communist Party, USA") in which he decried the plight of Ward Churchill (the radical former University of Colorado professor who called 9/11 victims "little Eichmanns"): "How can we as socialists or as communists or as leftists, how can we leave him in the cold?"

Ayers is Ayers, has always been, and doesn't pretend to be anything else. And Obama chose to be his friend and collaborator. **NR**

■ **WALL STREET CRISIS**

Ride of the Regulators

The question is not whether, but how

ANDREW STUTTAFORD

First fire, then brimstone, then collateralized debt obligations: Both Nicaragua's Daniel Ortega and Iran's Ayatollah Ahmad Jannati (a hardliner's hardliner) are arguing that the 2008 crash is down to the Big Fellow upstairs. Ortega reported maintains that the Almighty is using the chaos on Wall Street as a scourge to punish America for imposing flawed economic policies on developing countries. The ayatollah, meanwhile, insists that it is Uncle Sam's unspecified "ugly doings" that have brought down the wrath of Allah, and with it the housing market.

I'm not entirely convinced either way.

I am, however, sure that the crash is a godsend for regulators, meddlers, and big-government types of every description, nationality, and hypocrisy. Speaking on behalf of his famously clean administration, Russia's president, Dmitri Medvedev, has called for stricter regulation of financial markets, as has the EU's top bureaucrat (the mean-spirited might interject that the EU is about to have its accounts rejected by its auditors for the 14th consecutive year). They are joined by the green-eyeshade types at the United Nations Conference on Trade and Development and the always-understated Nicolas Sarkozy, who pronounced: "Laissez-faire is finished." *Sacre bleu!*

Closer to depreciated home, Democratic congressman Barney Frank has blamed the crisis on a "lack of regulation," a gap that he obviously plans to fill and more with the eager assistance of Nancy Pelosi. In the now-infamous speech she made ahead of the first, calamitous House vote on the bailout package, Pelosi claimed, ludicrously, that the source of our problems lay in the fact that there had been "no" regulation and "no" supervision. Even if we make necessary allowance for hyperbole, dishonesty, and ignorance, Speaker Pelosi's revealing choice of adjective indicates that an extremely heavy-handed, destructive, and counter-productive regulatory regime lies ahead.

The ideological winds have shifted. With free markets generally, and Wall Street specifically, being blamed for an economic predicament that is grim and getting grimmer, it's going to be a struggle for those of us on the right to convince the rest of the country that the solution is not a financial system micromanaged by the feds. Nevertheless, we must try.

It was too much to expect John McCain to contribute anything to this effort, and, with his diatribes against "greed and corruption" on Wall Street, he hasn't. But if, to use a vintage insult, demonizing "banksters" is unhelpful (full disclosure: I work in the international equity markets, but I am writing here in a purely personal capacity), trying to pin the blame on the Democrats' uncomfortably cozy relationship with Freddie Mac and Fannie Mae won't do the trick either. It is true that this unlovely couple was running amok and that the Democrats helped them do so. But the conceit that the failure to regulate them appropriately is in itself an argument against wider financial regulation is absurd. Equally, to proclaim that free markets are always their own best regulator is not only to fly in the face of history and common sense but also to ensure that the debate will be lost.

As we survey an economic landscape littered with shattered 401(k)s, broken banks, and anxious businesses, the idea of leaving the free market to clean up after itself comes perilously close to the old notion that it was sometimes necessary to destroy a Vietnamese village in order to save it. The free market is a very powerful engine for economic growth, the best we have, but it is that power that makes it too dangerous to be left solely to its own devices. Adam Smith certainly understood as much. To face this reality is to recognize that the sensible debate is not whether financial markets should be regulated, but how much and in what manner.

As a starting point, we must accept (as if

Mr. Stuttaford is a contributing editor of National Review Online.

there could now be any reasonable doubt about it) that the interconnectedness and scale of today's markets mean that far more institutions than had been previously thought are, as the cliché goes, "too big to fail." (I'd add that this country's fragmented regulatory structure has now clearly shown itself too small to succeed.) Market fundamentalists will hate it, but it's time to be honest about this. Bear Stearns was too big to fail, but so, quite possibly, was Lehman Brothers. And if an institution is indeed too big to fail, that means it is effectively underwritten by the poor conscripted taxpayer. Under the circumstances, it's neither unreasonable nor inconsistent with free-market principle to insist that the price of that privilege (which can bring with it a competitive advantage) be a more cautious approach to risk. Not to do so would, in fact, provide a perverse incentive to do the opposite, creating the notorious "moral hazard" about which we read so much these days.

In a regulatory state of mind

ROGER L. WOLLENBERG/UPI

Now that they have become conventional banking companies, this more closely supervised world is where Morgan Stanley and Goldman Sachs will, justifiably, find themselves. The question, then, is which other institutions should be brought within a tighter regulatory net. The answer is, I suspect, to be deduced from facts of size, function, and client base, but it is difficult to avoid the conclusion that the category of "too big to fail" will include at least some money-market funds and—remembering the Long-Term Capital Management fiasco—perhaps others on the buy side. Getting this right is crucial because the corollary is that we will then know which firms are not too big to fail, and can ensure they are allowed to carry on business with minimal government interference.

Traditionally, establishing a sleep-at-night risk profile has been a matter of closer regulatory scrutiny and ever-tougher capital requirements, but in the wake of this trauma we must ask whether certain instruments are simply too complex, too leveraged, and too thinly traded to be permitted anywhere near a "too big to fail" balance sheet. I may not share Warren Buffett's politics, but it's impossible to deny that his 2003 warning about the dangers of derivatives ("financial weapons of mass destruction") was, to say the least, prescient. Yes, the Chicago Mercantile Exchange is establishing a facility for the centralized trading and, critically, clearing of credit-default swaps (on some estimates a $58 trillion market, although that number may be swollen by double counting), something that, if successful, should enhance both liquidity and pricing transparency. Additionally, attempts are being made to come up with a mark-to-market rule that accurately reflects risk without triggering unnecessary disaster (although it is essential that any such change be accompanied by greater disclosure of "off balance sheet" exposure). The role of the ratings agencies is also being subjected to long-overdue reappraisal.

These are all steps in the right direction, but they are no panacea. For a different approach, go to Spain. The Spanish central bank discouraged the banks it supervised from participating in the structured-credit markets. This had the virtue of simplicity and, it seems, some degree of success. It's not a perfect precedent (some of these banks were playing around with structured-credit products), but it is a start.

Even though Spanish banks largely kept clear of America's subprime swamp, they could not escape their own. Spain too had a real-estate bubble. Manias, like panics, are global. But we do learn from them. The Bank of Spain's relatively tough line has its origin in a major Spanish banking crisis some three decades ago. America's real-estate lenders are unlikely to repeat the mistakes they have made (at least on the same scale) for many years: burned fingers and all that. Lending standards have tightened and will probably stay tight for a long time. This is not to suggest that the regulation of housing finance should be left untouched. Writing in the *Wall Street Journal*, George Soros (I know, I know) has argued that we should look at the Danish mortgage-bond market for inspiration, and there's something to that. There's no space here to go into the details, but suffice it to say that the Danish system aligns, prices, and manages risk far more effectively than anything we have in the United States. It would be nice to report that, as a result, the descendants of Polonius ("Neither a borrower nor a lender be") had avoided gambling on Danish real estate. Unfortunately, they didn't. To speculate is human.

But the housing crisis is also a cautionary tale of political mismanagement (or it would be if anyone were paying attention). While promoting a home-ownership society is a legitimate function of government (thus the tax deductibility of mortgage interest should be retained), it must be exercised openly and honestly—and it must be properly costed. The misuse of the Community Reinvestment Act and, even more, the odd, anomalous, and unhealthy existence of Fannie Mae and Freddie Mac (they should be broken up and privatized as soon as possible, which in current conditions may be a while) played malign parts in this whole miserable saga. They are a reminder that excess, overreach, and worse can be as much a feature of the public sector as of the private. Preventing such abuses in the coming age of regulatory fervor will be the next challenge. **NR**

■ **COVER STORY**

Against the Wind

McCain keeps up the fight, in the worst conditions imaginable

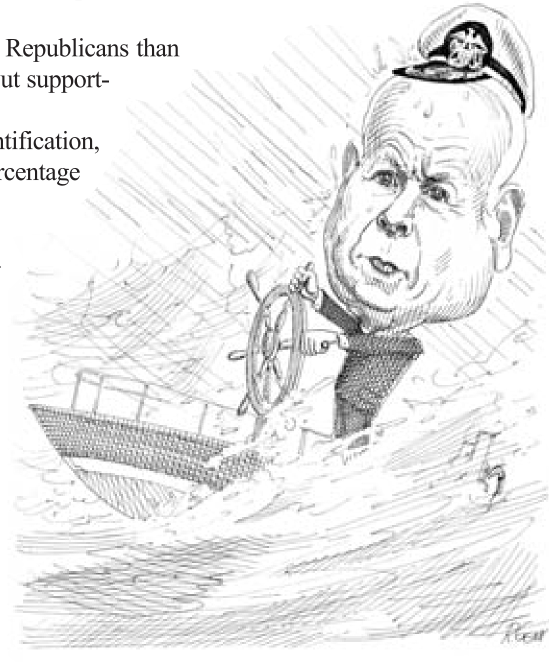
BYRON YORK

JOHN MCCAIN sewed up the Republican nomination last February, but his cash-strapped campaign didn't conduct its first serious poll until April. At that time, McCain still enjoyed the luxury of planning for the general election while Barack Obama and Hillary Clinton were busy slugging it out. But when pollster Bill McInturff briefed McCain's inner circle, he had some sobering news to deliver. "He said, 'This is going to be the worst environment since 1992 for a Republican, and it could get even worse,'" top McCain aide Charlie Black told me recently. Black paused a moment before adding, "And now, it's gotten worse."

Not just worse—historically so. No Republican since the members of Congress who ran in the Watergate mid-term elections of 1974 has faced as many obstacles as John McCain does now. Among them:

- The difficulty of succeeding a two-term president of one's own party—a feat accomplished only once since Truman succeeded FDR.
- The even greater difficulty of succeeding a two-term president of one's own party who has a job-approval rating of 25 percent and a disapproval rating of 70 percent, as George W. Bush had in a recent Gallup poll.
- The historically high proportion of Americans who say the country is on the wrong track—as high as 90 percent in a recent *Washington Post* survey.
- The enthusiasm gap, with far fewer Republicans than Democrats saying they are fired up about supporting their candidate.
- The Republicans' deficit in party identification, which ranges between five and ten percentage points.
- The financial crisis, including the 5,500-point fall in the Dow Jones Industrial Average between November 2007 and October 2008.
- The war in Iraq, with nearly 4,200 Americans dead and a majority of Americans judging that the gains have not been worth the cost.
- Republican gloom on Capitol Hill, where nearly two dozen House Republicans have chosen to retire rather than face reelection, while Democrats stand a chance of winning a filibuster-proof majority in the Senate.
- Barack Obama's enormous advantage in fundraising.
- McCain's continuing problems with the Republican base, which persist despite his selection of Sarah Palin as his running mate.

It's difficult to imagine a more daunting set of circumstances. Inside the campaign, McCain has displayed his well-known stoicism, mixed with a dose of black humor, in the face of each new obstacle. Among his staff, it has become something of a mantra to say that whatever has to be done, no matter what it is, will have to be done the hard way. "You could think of this as trying to summit a mountain," one senior aide, who asked not to be named, told me. "Both campaigns have to summit the mountain. In most elections, one campaign has some kind of advantage over the other—maybe they get a ten-minute or a half-hour head start—but both sides have to climb the same face of the mountain. In this election, we're not climbing the same face of the mountain. They're climbing the side of the mountain with boardwalks and latte stands and playgrounds for the kids, and we're climbing the side of the mountain with axes and ice picks, and one slip and you're dead."



ROMAN GENN

BEARING THE BURDEN

Ask McCain's top aides about the obstacles and they'll remind you that before the financial crisis hit, as recently as mid-September, the race was tied. On September 17, the RealClearPolitics average of polls showed McCain and Obama each with precisely 45.7 percent of the vote. The message Team McCain took from the numbers was that McCain had overcome the challenges that could have sunk his campaign in the previous months. "You had the red states red, and in the blue states, we were coming on," the senior adviser told me.

And then came the financial meltdown. "We're not talking about a bad jobs number, or a day of bad economic news," the aide said. "No—this was a global financial crisis the likes of which the world has not seen since 1929." The crisis stopped McCain cold and helped Obama surge to his biggest lead of the race. The McCain campaign had one

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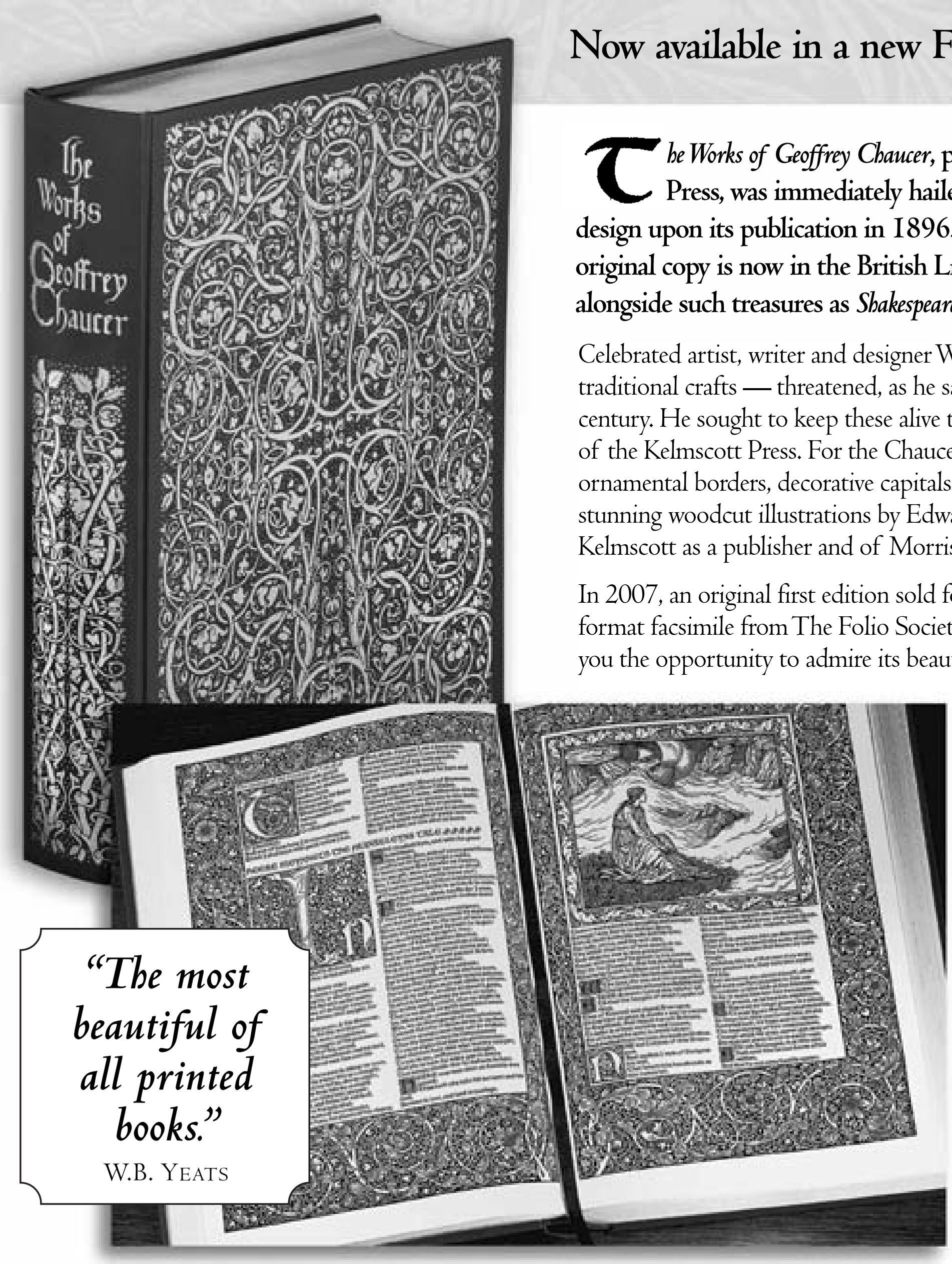

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more obstacle to surmount. But the problem for the campaign was that, in the eyes of many voters, the economic crisis wasn't a totally new, discrete event but rather a continuation of some of the existing problems McCain thought he had overcome. People have been worried about the economy for quite a while, and many of them blame George W. Bush. Their new anxiety in the crisis showed up in even lower job-approval ratings for the president, and the Bush Burden—which McCain thought he had escaped in September—returned with a vengeance.

It's something McCain has struggled with from the very beginning, when he began contemplating a second run for the presidency after the failure of his 2000 primary battle against Bush. In 2006, as McCain laid the groundwork for his present campaign, it appeared his biggest problem—and also the best opportunity to differentiate himself from Bush—was the war in Iraq. Bush seemed to have no idea how to stop Iraq's growing sectarian violence, and his approval rating fell with each new episode of mayhem. At the beginning of the year, it stood at 43 percent in Gallup. A few months later, it was 31 percent, with a disapproval rating of 65 percent.

At first, McCain and his team thought Bush's situation would improve. "I'll be honest with you, I didn't think his rating would stay at Nixon-like levels," John Weaver, who was a close McCain aide at the time, told me recently. "I thought it would go up." But it didn't. And with each tick downward, McCain had more work to do. When George H. W. Bush campaigned to succeed Ronald Reagan in 1988, Reagan's Gallup approval rating was in the middle 50s, with a disapproval rating in the mid to high 30s. McCain never expected to be running to succeed a popular president, but he was surprised to see Bush fall into the 20s and stay there. It was at that point—with Bush down, pressure to withdraw from Iraq increasing, and Republicans wobbling—that McCain defied the president and made the bet that won him the Republican nomination. Even some of McCain's closest advisers weren't on board. "There was definitely nervousness about the surge, and not everyone supported the idea," former McCain aide Mark McKinnon told me in an e-mail exchange. "On the other hand, when it came to matters of national security, we all deferred completely to McCain, trusting his judgment over our own."

Republican primary audiences responded well to McCain's daring and courage. Advocating the surge helped McCain establish a measure of independence from Bush. But in 2007, McCain squandered much of the progress he had made. He had been hurt among the Republican base by his stand alongside Bush on immigration, and his campaign virtually imploded when he discovered that its spending far exceeded its fundraising. McCain very nearly dropped out of the race. But more important, in retrospect, the crisis left him struggling to stay alive at a time when he should have been reinforcing that image of himself as independent of Bush. "After the meltdown, we were in total survival mode," McKinnon told me. "We became political cockroaches, scavenging off the land. We literally were campaigning one day to pay expenses for the next day. We didn't have a lot of time to think about the big picture except that when it came to Iraq, we were 'all in.'"

But the Bush Burden continued to drag on the campaign; the success of the surge did not change the president's approval numbers. By January 2008, Bush was still in the low 30s, with disapproval in the mid-60s. It was the same on Super Tuesday. By October, as the campaign reached its final stages, Bush had sunk to 25, with a 70 percent disapproval rating. What to do? McCain received a lot of advice to distance himself from Bush. But he needed the votes of that 25 percent of the electorate that still approved of the president. And with Republican voters putting national security high on their list of concerns, was McCain supposed to throw over the man whose administration had kept the United States free from a major terrorist attack in the seven years after September 11? Bush had made some serious mistakes, but there was real danger in appearing to run away from him.

Given all that, McCain's biggest challenge was not to distance himself from Bush but to move beyond him. "One of the things you saw Sarkozy do in France was he just made a very clean break with Chirac," David Winston, a Republican pollster who works with the GOP leadership in the House and Senate, told me. "He said, 'Whatever [Chirac] has done, he's an admirable person, but we're going in a different direction.' With McCain, he wouldn't be passing judgment on Bush—just saying that, given the new circumstances, we have to go in a new direction, and this is the direction I intend to go." For whatever reason, McCain never quite embraced that approach in a systematic way. Instead, he began to say that "change is coming," which sounded like a knock-off of Barack Obama's theme. The result is that the Bush Burden remains McCain's biggest obstacle today.

'THE OPPOSITE OF RISK-AVERSE'

The Obama campaign has taken to accusing McCain of being "erratic," of displaying a dangerous impetuousness when it comes to handling serious issues. But Obama has the luxury of the political fundamentals' favoring his campaign and hurting McCain's. In the face of that, McCain's strategy has been to try a lot of different things. "There has been a recognition about the difficulty of the challenge," the unnamed senior adviser told me, "which is to condition the campaign to be the opposite of risk-averse."

Exhibit A of McCain's non-risk-averse approach was his hastily made decision to suspend campaigning to go to Washington for talks on Congress's $700 billion economic-bailout plan. It was a good idea—McCain is, after all, a senator, and there was momentous work to be done on Capitol Hill—but McCain couldn't follow through. Yes, he helped bring House Republicans to the negotiating table, but after his much-publicized return to Washington, McCain didn't have a proposal to offer. While it is true that no one else had a clear idea of what action was necessary, McCain's empty-handed trip to Washington was perhaps symbolic of his sometimes struggling effort to find a clear and coherent economic message.

The Obama campaign responded by calling McCain "erratic." But the truth is much more complicated. In the various crises his campaign has endured, McCain has stayed remarkably steady when some others were ready to give up. At those times, McCain talked about keeping a "steady strain," an old Navy term that refers to keeping the proper level of tension on ropes tying one ship to another, to prevent abrupt motions that could snap the lines. It was advice to maintain equilibrium, not to get too up about good news or too down about bad news.

Now, as he presses against the strongest political headwinds in many, many years, he's trying to follow his own advice. Looking back to the early days of the campaign, John Weaver told me that McCain, politically, was "facing a Category 1 hurricane" when he began his race. Now, Weaver says, "it's a Category 5."

Despite it all, McCain pushes on, propelled by a drive most people just don't have. I remember traveling to Iowa in the fall of 2007, after McCain's campaign meltdown had left him in dreadful financial straits. We were going to the farthest reaches of northwest Iowa, near the Minnesota border. McCain was staying in a Holiday Inn Express in the middle of nowhere—when you walked out the door, the smell of fertilizer got your attention pretty quickly—and he was traveling around in a minivan because his bus had broken down. He spent his days talking to small groups—sometimes really small groups—in diners and pizza joints.

He was 71 years old at the time, wealthy, with a safe and senior spot in the Senate and a career that few, if any, public servants could match. On top of that, his campaign had blown up in an explosion of mismanagement and bad feelings that had many political insiders and journalists writing its obituary. And yet there he was, plugging away, every day, animated by something that is unique to his character.

And why shouldn't he feel that he can overcome just about anything? This is a man who has dodged death—real death, not political death—many times. There's more to the story than his enduring five and a half years as a prisoner of war—just look at the fuzzy old black-and-white film of McCain on July 29, 1967, leaping off the refueling probe of his jet after it had been struck by a missile on the deck of the USS *Forrestal*. It was one of the worst disasters in Navy history, killing 132 men. McCain, miraculously, walked away from it. On one of those trips around Iowa, sitting in the back of his bus—after his campaign found one that worked—McCain described the days after the *Forrestal* fire. He was at a meeting in which the commanding officer asked if anyone would like to volunteer to transfer to another carrier, the USS *Oriskany*, which had itself undergone a fire, although a less serious one. Describing himself as if he had been an outside observer, McCain said that he saw his hand go up to volunteer when he could have sought out a less dangerous assignment; on that day in Iowa, 40 years later, he still seemed a little surprised by what he had done. But off he went, and it was from the *Oriskany* that he took off on the mission that led to his capture and imprisonment, events that would inform so much of his subsequent political career.

The lesson is that McCain is always searching for something new to overcome. Of course he would rather not be facing quite so many political adversities at once, but he is a man who, if he makes it out of one scrape, puts himself in position for another.

And now, he's doing it again. "How many times, my friends, have the pundits written off the McCain campaign?" he asked a crowd in Wisconsin on October 10. "We're gonna fool 'em again. We're gonna fool 'em one more time." A few days later, in Virginia, McCain described the forces arrayed against him and declared, "My friends, we've got them just where we want them." People in the audience laughed. But in some sense, deep inside, McCain meant it. **NR**

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THE GREAT AMERICAN GAMBLE
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Keith B. Payne

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■ **WALL STREET CRISIS II**

Worse Than You Think

What went wrong at Fannie and Freddie—and what still might

PETER J. WALLISON & EDWARD PINTO

THE government's takeover of Fannie Mae and Freddie Mac in the middle of a presidential race—coupled with the fact that their activities contributed significantly to the current financial crisis—has brought these "government-sponsored enterprises" (GSEs) into unusual prominence. One of the principal elements of the story is its similarity to the savings-and-loan (S&L) collapse of only 20 years ago, and the failure of Congress to understand and apply the lessons of that debacle.

Fannie began life as a government agency, commissioned to add liquidity to the housing-finance system. To perform this function, it borrowed funds in the capital markets and used them to buy mortgages from lenders. For many years it toiled quietly in this routine business.

In 1968, as a budgetary measure, the Johnson administration privatized Fannie by allowing it to sell shares to the public. But the shareholder-owned company retained many of its ties to government, and was given a congressional charter. So despite its private ownership, investors and other creditors continued to believe the government backed it—that taxpayers would come to the rescue if things went wrong.

By the late 1980s, the U.S. financial world was in turmoil. Fed chairman Paul Volcker's effort to curb inflation had resulted in high market interest rates, which in turn had devastated the S&L industry. Unlike commercial banks, S&Ls had a narrow range of permissible activities, focused primarily on housing. Their assets—principally home mortgages—were not diverse enough to keep them alive when the housing market went into one of its frequent tailspins. In a high-interest-rate environment, S&Ls had to pay more to attract and hold deposits than they were receiving in revenue from mortgages. The mismatch—high short-term liabilities, low-yielding long-term assets—was driving the industry toward insolvency.

Deposits in S&Ls, like those in commercial banks, were federally insured, and this enabled them to raise funds despite their weak financial condition. Congress broadened their investment powers, allowing the industry to invest in new and risky ventures as it "gambled for resurrection." This gamble did not pay off, and the losses continued to mount.

In 1989, the first Bush administration recognized that it had to intervene. New legislation established the Resolution Trust Corporation to acquire and sell the assets of failed S&Ls, a process that eventually cost the taxpayers $150 billion. The same legislation also "privatized" Freddie Mac—then a subsidiary agency of the Federal Home Loan Bank Board—under a charter virtually identical to Fannie's.

The prospect of huge losses for taxpayers engendered a bitter debate about causes and blame. On one side were those who argued that greed, fraud, and incompetence among S&L owners and managers were responsible. On the other were those who blamed the government for allowing an industry that was inherently vulnerable to take enormous risks with insured deposits. Both sides were partially right, but only the former explanation seemed to sink in with a Congress eager to deny its culpability.

THE SUPER-S&L

By 1991, James A. Johnson, a politically connected former top aide to Walter Mondale, had become Fannie's chairman and CEO. He stepped into this barren landscape with an idea that would have been rejected out of hand if Congress had correctly diagnosed the S&L problem. Johnson's view was that Fannie could prosper as a super-S&L by using its low-cost, government-backed funds to buy and hold a portfolio of high-yielding mortgages. Fannie and Freddie's activities, as in the case of the S&Ls, were restricted to housing. This business model was different from the S&Ls' in but one important way: This new S&L wouldn't have to limit itself to $100,000 deposits to get government insurance; *all* of Fannie's debt had the implicit backing of the taxpayers.

Fortunately, some in Congress saw that allowing a privately owned company to borrow money with government backing required at least some form of regulation, and in 1991 Congress finally got around to considering revisions to the GSEs' charters and the creation of a regulatory agency to oversee their activities.

At about this time, Fannie, under Johnson's control, committed to loan $10 billion over two years to promote affordable housing. This initiative helped Fannie resist effective regulation in several ways. First, it showed that Fannie would share some of its gains with taxpayers—and thereby created goodwill with lawmakers. Second, members of Congress saw that they could use affordable-housing lending much the way they use earmarks: They could select projects in their states and districts, and politely request that Fannie loan money to them. Unlike the countless banks scattered across the country, Fannie was conveniently centralized in D.C., and talks with it did not require (or receive) much public scrutiny.

In the end, Johnson got a good deal: The regulatory structure that Congress adopted—which, in passing, added an affordable-housing "mission" to Fannie's charter—was seriously deficient. Not two years after the demise of the S&Ls had shown beyond question that government backing (in the form of FDIC insurance) without adequate risk controls was a prescription for disaster and taxpayer loss, Congress repeated its mistake.

The new regulator—the Office of Federal Housing Enterprise Oversight (OFHEO)—had none of the strong authorities routinely given to bank regulators; it was also subject to congressional appropriations, which made it possible for the GSEs to control their own

Mr. Wallison holds the Arthur F. Burns chair at the American Enterprise Institute. Mr. Pinto held various positions at Fannie Mae from 1984 to 1989, and now provides consulting services to the mortgage-finance industry.

PSA COUNT UP? TOO MANY TRIPS TO THE BATHROOM?

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By Richard Huemer, M.D.

The U.S. Government has announced that they will be conducting the largest ever study on Cancer. The study will determine what are the long-term effects of Selenium and Vitamin E on the Prostate Gland and its potential for protection against Prostate Cancer.

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Vitamin B_6 (pyridoxine HCl)	70 mg	3,480%
Selenium (AA chelate)	200 mcg	286%
Zinc (AA chelate, ascorbate)	50 mg	334%
Copper (gluconate)	1 mg	50%
Saw Palmetto extract	460 mg	*
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Hydrangea root extract	190 mg	*
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regulator through their congressional supporters. This was an aberration from other congressional activity: The year before, the same Congress had adopted the Federal Deposit Insurance Corporation Improvement Act, which significantly toughened the regulation of banks and gave their regulators more independence.

Jim Johnson lost no time in using the affordable-housing initiatives to cement congressional support into place. The principal element of this bargain was that Congress would allow the GSEs to retain federal backing, and the absence of a strong regulator would permit Fannie and Freddie to grow without serious restriction. The lack of regulation would also make it possible for the GSEs to meet the demands of Congress on the allocation of affordable-housing funds.

In 1994, Johnson announced another affordable-housing initiative, this time with a goal of $1 trillion in loans—intended to enable 10 million families to buy homes by the end of 2000. At the same time, he created local partnership offices (eventually totaling 51) in urban areas across the country. These offices were overtly political, and performed a grassroots lobbying function, assuring congressional backers of Fannie and Freddie that they could tap into supportive local groups when it came time for reelection—or to beat back initiatives that might clip the GSEs' wings.

In 2000, after succeeding Jim Johnson as chairman and CEO of Fannie Mae, Franklin Raines, head of the Office of Management and Budget in the Clinton administration, announced Fannie's "American Dream Commitment," a ten-year, $2 trillion pledge to support affordable housing. It made another huge, taxpayer-backed program available for manipulation and political patronage.

In 2003 and 2004, when Fannie and Freddie were found to have been practicing Enron-style accounting, their friends in Congress rushed to their defense, citing affordable housing. At a House Financial Services Committee meeting in September 2003, Massachusetts Democrat Barney Frank—then ranking minority member and now chairman—observed: "I do think I do not want the same kind of focus on safety and soundness. . . . I want to roll the dice a little bit more in this situation towards subsidized housing." Charles Schumer of New York, then a powerful member of the Senate Banking Committee, stated the next month: "My worry is that we're using the recent safety and soundness concerns, particularly with Freddie, and with a poor regulator, as a straw man to curtail Fannie and Freddie's [affordable-housing] mission."

AN ATTEMPT TO REGULATE

By the end of 2004, things had gotten a great deal bleaker for the GSEs. Their accounting frauds had prompted bad publicity and some serious challenges from within the government. The Bush administration sought the stronger, bank-like regulatory regime that Congress had failed to adopt in the early '90s. Alan Greenspan—then at the height of his authority as Federal Reserve chairman—called for controls on the growth of the GSEs' hugely profitable mortgage portfolios. Fed economists had determined that the GSEs did not, as they'd claimed for years, reduce interest rates for middle-class homebuyers. Franklin Raines had resigned under fire for his participation in Fannie's false accounting. Republicans had introduced stronger regulatory legislation in both the House and the Senate. Drastic steps were needed to rebuild the bond with Congress and prevent the adoption of tough new regulations.

The GSEs made it clear that such regulations would make it harder to get affordable-housing pork to Congress's constituents. A strong regulator could make the GSEs' portfolios less profitable—and without these profits, it would not be possible for Fannie and Freddie to continue to subsidize affordable housing. Worse, a strong regulator might scrutinize their affordable-housing investments, including ones members of Congress had requested.

Beginning in 2005, Fannie and Freddie put more than $1 trillion in junk loans on their books. The unprecedented rate of defaults on this $1 trillion is what precipitated the takeover of Fannie and Freddie by the federal government in September, and will burden taxpayers with tremendous costs. But it worked politically. The GSEs' supporters (and beneficiaries) in Congress held off on any new regulation. The Senate Banking Committee adopted a strong regulatory bill in 2005—with the unanimous support of committee Republicans and over the unanimous opposition of committee Democrats—but it could not be brought to a vote on the Senate floor. Not a single Democrat, including Barack Obama, supported it. The benefits that Fannie and Freddie offered to Congress continued to flow. In 2006, Chuck Schumer's office issued a press release headlined "Schumer Announces up to $100 Million Freddie Mac Commitment to Address Fort Drum and Watertown Housing Crunch." The release boasted that the senator had "urged" the company to "step up" and make this commitment.

Congress thus repeated with Fannie and Freddie the error that had produced the collapse of the S&L industry in the late 1980s. It gave government backing to inadequately supervised private companies. But the case of Fannie Mae and Freddie Mac is far worse than the S&L debacle. First, taxpayers' losses this time will be enormously larger. Second, in the case of the S&Ls, the missteps of Congress can be understood and to some extent excused: It had never encountered anything quite like the S&L collapse, and the banking failures of the Depression were 50 years in the past. Third, while individual lawmakers received favors from the S&L industry, these were the petty graft that tends to go along with political power—not to be condoned, of course, but nothing new. But Congress's failure to create a strong regulatory regime for Fannie Mae and Freddie Mac *was* something new. Coming as it did on the heels of the passage of tough new banking regulation, it had to be a conscious choice by the GSEs' supporters in Congress—most of them liberal Democrats—to continue using the GSEs' financial resources for political purposes.

Perhaps worst of all, the takeover of Fannie and Freddie by a government conservator does not end the problem. In fact, it might open a new and more costly era. In a statement to the House Financial Services Committee on September 25, James B. Lockhart III, director of the agency that serves as both regulator and conservator of Fannie and Freddie, insisted on meeting the affordable-housing goals required by HUD regulations: "The market turmoil of this year resulted in a tightening of underwriting criteria . . . thereby reducing the availability of traditionally goal-rich, high loan-to-value home-purchase loans. . . . I will expect each enterprise to develop and implement ambitious plans to support the borrowers and markets targeted by the goals."

If this is what a Republican administration says about the use to which Fannie and Freddie will be put in conservatorship, one can only imagine what a Democratic administration might do. **NR**

■ **WALL STREET CRISIS III**

Walls, Brakes, And Risk

We can learn from the market turmoil, or we can make things worse

JIM MANZI

THE U.S. stock market boomed throughout the mid-1980s. One contributing factor was a major technical innovation of that time called "portfolio insurance." This was basically a trading technique by which an investment bank would buy a basket of stocks and simultaneously "short" another, closely related basket of stocks. ("Shorting," or "selling short," amounts to betting that the price of a given security will decline. One technique involves borrowing shares for a specified time and immediately selling them, with the intention of buying them back at a lower price when the loan comes due.) If you did this just right, you could make money whether the stocks you bought went up or down. It was like a bookie's taking action on both sides of a bet.

Some foresaw that this technique could radically increase the speed and severity of a market decline. That's because a key hidden assumption of portfolio insurance was that you could short stocks at will without your trade's affecting the price. If a very small fraction of the trading volume for these securities is driven by portfolio insurance, the assumption works very well. But, in the extreme, if all trading volume were following this strategy, then once a general market decline began (for whatever external reason), the complicated financial logic of portfolio insurance would require everyone to start shorting more and more. There would be an avalanche of would-be short sellers with no buyers; you can't bet on a price decline if there's no one to bet against you. This would create an ever-growing herd of investors desperate to sell shares at any price, and the market would go into free fall with no bottom. At some unpredictable point between "a very small fraction" of trading and "all," the whole market is vulnerable to collapse in the face of a price decline.

By October of 1987, the market had been declining on and off for more than a month, but by historical measures it remained quite overvalued. The night before trading opened on October 19, the Hong Kong market declined significantly. This was the spark that set off exactly the conflagration that had been predicted. Price declines led to automated shorting of stocks, which led to further declines, which led to further shorting, and so on. Markets all but collapsed in the face of unprecedented volume, about half of which was automated trading by ten large investment houses executing portfolio-insurance strategies. The aggregate value of U.S. publicly traded corporations declined by more than 20 percent in seven hours.

Now, this is not a simple morality tale of hubris meeting nemesis. In the face of many calls for sweeping changes, regulators did not overreact. New regulations were limited and technical. But the crash permanently changed the way the market prices risks. Market prices changed after October of 1987 to reflect much higher estimates of the probability of a crash, and they have never changed back. The market recovered its losses within a couple of years and went on to have one of its greatest run-ups in history over the next decade. Since the 1987 crash, "quantitative" finance (the exploitation of arcane relations between various financial instruments, derived through intense number crunching) has become ever more dominant, and it is now an important driver of wealth creation. These techniques have turned out to be very useful; it just took the market some time, and the experience gained from the 1987 crash, to figure out how to use them effectively.

Fortunately, the effects of that crash were contained. America today faces something much more serious—a financial crisis linked to subprime mortgages that threatens to become a general economic crisis, because the kind of crash it might create would be much harder to contain. The problem we face is often described as mind-bendingly complex, but in its essentials, it is simple.

MORTGAGE MANIA

It is clear, in retrospect, that America had a classic speculative bubble in home prices. As is typical in a bubble, its later stages were characterized by reckless investment, excess debt, and shady-tending-to-illegal business practices. As cheap credit pushed up the market price of houses, many homeowners began to incur lots of debt. They were comfortable doing so because they believed that they had sufficient equity value in their homes to make good on the debt if required. Many people who previously would not have qualified for mortgages now got them, some because of the government's market-rigging via Fannie Mae and Freddie Mac. Simultaneously, many homeowners were offered and accepted mortgages that approached all-debt ("zero down") at floating interest rates, rather than traditional fixed-rate mortgages. In the worst instances, these mortgages had payments that were all but certain to increase in the future. These homeowners were betting that they would get raises, inherit money, or, more likely, be bailed out by an increasing home price that would allow them to roll over the debt.

Here's the problem with having lots of debt and very little savings or equity: Sooner or later you'll have a bad month, and when it's time to mail in your mortgage payment, you won't have the money. In the present case, once home prices began to decline (or, for the most over-leveraged homeowners, simply stopped rising fast enough), that's what started happening to more and more borrowers.

Normally this would be bad for the homeowner and the lender, but not a big deal for anyone else. But the impact was magnified because the original lenders had sold rights to third parties to receive payments under some of the mortgages. These third parties bought up lots of mortgages, broke them into little pieces, combined them with pieces of other mortgages, repackaged them all in "creative" ways, and resold them to commercial and investment banks as mortgage-backed securities. Because of all the cross-sales, most banks ended up making direct and indirect loans to many other banks, and therefore they were at risk in case of a default by any large institution.

The banks were aware of this risk. Luckily for them, various investment banks, hedge funds, and other major financial institutions offered the following deal: Pay an up-front fee, and we will guarantee to make you whole for any mortgage-backed securities that default. These contracts are the infamous "credit-default swaps." The total amount of such swaps currently outstanding is unknown because they are not regulated, but it is estimated to be about $60 trillion. As this is more than four times total U.S. GDP, the providers can't possibly have that much cash on hand. So how can they pay off if required? Well, they have a large number of very smart Ph.D.s who have developed clever trading strategies. These strategies involve things like shorting securities that are highly correlated with mortgage defaults, to generate trading profits in the event that the mortgages default—again, like a bookie taking action on both sides of a bet. They then market these swaps to the banks as "credit insurance." Is this starting to sound familiar?

Things went along swimmingly until there was a general decline in home prices. Defaults started to rise. At first, banks weren't worried: They had credit insurance! Then a major provider of swaps, AIG, realized that its hedging strategies were insufficient to pay off the swaps it had issued. Suddenly all the bankers confronted a horrible realization: Their credit insurance was an illusion. If more than a tiny fraction of market participants relied on it, then as soon as it was needed, it wouldn't be there. And if even one large provider of swaps went bankrupt, it could create a chain reaction. Banks that depended on that provider's swaps would not have enough money to pay their depositors, and would go bankrupt. Other banks that had lent money to these banks would suddenly be short on money themselves. Since nobody knows for sure how deeply exposed various banks are to swaps or similar instruments, even depositors at highly conservative banks would begin to withdraw money. A series of bank runs would start. Banks would stop making normal business-operating loans in order to conserve capital and protect themselves against runs. Many people would then lose their jobs and default on their mortgages. This would lead to more defaults by providers of swaps, which in turn would lead to more bank runs and more constriction of lending, and so on. In short, financial contagion would spread, leading to an enormous economic contraction.

October 19, 1987

PETER MORGAN/AP

As I write this, we appear to be teetering on the precipice of such a situation throughout the developed world. What should we do about it?

In the short run, the Federal Reserve and Treasury Department, along with similar institutions in other countries, are trying to intervene to prevent such a contagion. The evolving Fed/Treasury approach is some combination of: forced merger or nationalization of failing institutions that threaten to create contagion; public purchase of enough mortgage-backed assets to allow proper valuation of risks, and therefore hopefully unfreezing of credit markets (by removing bad assets from the banks' balance sheets and providing some idea of what these securities are worth); and direct investment into weak but salvageable banks to allow them to continue operations, and ideally return to health.

The disadvantages of this approach are numerous and severe. It will almost certainly lead to higher taxes. It may encourage some financial institutions in the future to take wild risks because they think that as long as they are big, the government will save them (economists call this tendency "moral hazard"). It re-legitimizes the kind of direct government intervention in the economy that we have spent at least 30 years trying to escape. It is also obviously unfair to prudent savers, who missed out on the easy money of the go-go years and now have to foot the bill for their less careful fellow citizens. That fact won't be lost on voters, who will likely demand similar bailouts for people who don't make a million dollars per year. Finally, it might not even work.

These all sit on one side of the scale. Against them we have one huge consideration: The catastrophe of full-scale contagion would make somewhat higher taxes, moral hazard, and so forth seem like child's play. The current plan is the worst conceivable course of action—except for every other alternative. What is essential is that these government investments be unwound (i.e., sold on the open market) as rapidly as possible, and that the ultimate resolution require management and investors in these institutions to bear very large financial penalties. Irresponsible homeowners should be made to pay as well. (Expect big political battles over the definition of "irresponsible.")

TWO PRINCIPLES

In the long run, we must have a market-oriented economy in order to grow and remain globally competitive. Markets, by theory and empirical observation, have a tendency to boom and bust. In the real world, a completely unfettered boom-and-bust cycle would lead to so much instability that the political process must either moderate it to some degree or face the possibility of near-socialist restrictions after some especially spectacular bust. There is no perfect, or even very good, regulatory solution to this dilemma, but there are two general principles that should provide reasonable guidance.

Do no harm. The closest thing to original sin in this crisis was the pseudo-privatization of Fannie Mae in the 1960s. Fannie Mae began as a New Deal program to facilitate mortgages to people (i.e., voters) with marginal credit. It was a bad idea, but it was contained in scope. Lyndon Johnson, faced with budget problems during the Vietnam War, spun it out of the government in 1968. This was an accounting gimmick that made its costs disappear from the federal budget, though it still operated with the "implicit" backing of the government, because (wink, wink) we all know that when push comes to shove, as it recently did, the taxpayers are on the hook. The expansion of Fannie Mae and the creation of Fannie's sibling, Freddie Mac, led to the development of a market for mortgage-backed securities. This went on for many years without creating a

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national crisis, so it was probably not, by itself, a sufficient cause of the subprime meltdown, but it surely contributed, and was an easily avoidable error. We should get something positive out of this crisis by fully privatizing Fannie Mae and Freddie Mac. Without the government's implicit guarantee, their securities would sell at lower prices, which would reduce their incentive and their ability to purchase questionable mortgages.

Asset bubbles are almost always followed by stricter regulation of markets. These regulations are often excessively focused on winning the last war by preventing whatever particular flavors of malfeasance were most recently prevalent. Targeting wrongdoing like this is easy to understand, plays to our need to believe that somebody must be to blame, and allows politicians to be seen doing something. Such regulations are usually produced very quickly, and they often have impacts that the authors never anticipated. The drafting and implementation of the Sarbanes-Oxley laws after the Enron scandals a few years ago, and the punitive prosecutions after the 1929 stock-market crash, are excellent examples of what should be avoided. Probably the last thing that will be needed for at least a generation will be regulations preventing banks from taking on risky mortgage debt.

Walls, not brakes. Financial regulations designed to moderate the business cycle all pretty much boil down to either *brakes* (regulations that make certain kinds of transactions illegal in the hope of reducing the amplitude of booms and busts) or *walls* (regulations that restrict certain kinds of transactions to certain kinds of financial entities in the hope of compartmentalizing the effects of booms and busts). In general, we should emphasize walls.

The crash of 1987 was, in the end, healthy. Its immediate effects were contained, and it produced knowledge that was put to good use to deploy new technology that has created enormous wealth. Real markets will always have busts because they are making bets about the future, and can't always be right. What's dangerous about the current credit crisis isn't that some executives at Lehman Brothers will lose their jobs or that Wachovia stockholders will lose their investments, but that it threatens to bring down the whole economy.

As a practical matter, many people lack the time, inclination, or mental acuity to evaluate complex potential sources of risk versus profit, and just want a safe place to put their money. Federally insured deposits at plain-vanilla banks that accept risk-reducing regulations and pay depositors lower interest rates than uninsured investment alternatives are a great example of this. They are a New Deal–era innovation that has proven remarkably robust in the stress test of the past few months.

Our vision should be one of, roughly speaking, tiers of financial alternatives of increasing risk, volatility, and complexity that are open to any appropriate investor. Almost any non-coercive transaction should be legally permitted in some context. The tiers should be compartmentalized so that a bust in a higher-risk tier doesn't propagate to lower-risk tiers, and the government should unsparingly permit failure in the higher-risk tiers. Something like this should provide the benefits of better capital allocation, continued market innovation, and stability. Of course, such a vision will never be fully realized. Markets constantly undermine such regulatory schemes. There is no substitute for ongoing, democratic evolution of regulations; unfortunately, this usually occurs only in response to failure. **NR**

■ AT WAR

'A Fragile State'

Impressions from Iraq

JAY NORDLINGER

Baghdad

YOU hear certain things over and over, as you spend some time in Iraq. You hear them from Iraqis, Americans, and others. What you hear is: We've made great progress in 2008. Al-Qaeda, the militias, and the rest of those lovelies are on the run. But our progress is fragile and reversible. If the coalition leaves too soon—before Iraq can defend itself—there will be hell to pay. If we leave too soon, our work will be for nought.

You also hear, Iraqis don't want Americans and other foreigners in their country. (That includes foreign terrorists too, of course.) No one likes to be occupied. At the same time, Iraqis are very, very worried about the American departure: a departure that precedes stabilization. It's "Yankee, go home—but don't leave us at the mercy of the wolves. Go home at the right time."

One word you hear constantly is "normalcy." That is the great Iraqi desire: normalcy—a normal life, in which one can study, marry, have children, work, and pray, as countless people do elsewhere. Normalcy is not a modest goal, it is the shining ideal.

Four of us journalists are here in Iraq, invited by the State Department. The feeling at State, it seems, is that Americans have lost touch with Iraq. The war is off the front pages, and sometimes doesn't even make it to the inside pages. Is that because it's going better? Can Iraq be news when it's not a debacle?

The American embassy in Baghdad is one of Saddam's old palaces. Our GIs are swimming in his pool, an amazing fact. In the ballroom, missiles shoot upward—that is, they do so in a painting on the wall. The painting is as crude as Saddam's ideas and ambitions. In this ballroom are makeshift offices, and the sign on one of them catches my eye: "U.S. Department of Justice—Committee on Integrity." History is a remarkable thing.

We have a tour of the International Zone, or Green Zone, conducted by an Iraqi. He mentions the depravities of Saddam's regime, and you can almost hear the fear in his voice (a remembered fear). I'm reminded of the title of an invaluable book: "Republic of Fear" (Kanan Makiya). It seems to me that Westerners forget about Saddam's regime, or will themselves to: the "rape rooms," the children's prisons, the feeding of men into industrial shredders, the cutting out of tongues for dissent.

I often think, during my stay here, "It's good we got rid of Saddam. It's good that we overthrew him. No matter the difficulties that ensued—it was a good thing in the world."

Mr. Nordlinger is an NR senior editor. For his multipart journal about Iraq, go to www.nationalreview.com/iraqjournal.

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We meet with an army of generals, led by Lt. Gen. Frank G. Helmick, who wears two hats: He's head of the "multinational security transition"—the handing over of responsibilities to Iraqi authorities; and he's head of the NATO mission. "A lot of people don't know NATO is here," he says. A lot of people don't know a lot of things about Iraq.

For two hours, the generals brief us about what is happening: about what the coalition is doing to stand Iraqis on their feet. In sum, the coalition is watching over every Iraqi sparrow. And I have a couple of main thoughts: One is, have foreigners ever done so much for a country? I think of another book title: "The Foreigner's Gift" (Fouad Ajami). Of course, you could say, "We broke it, we have to fix it"—but the country was broken before, badly. And we are changing it.

I also think, why aren't these guys on television? Why aren't they famous, explaining Iraq and our mission to the American public (and other publics), just as they're explaining it to us now? They are hardly Pollyannas or snowers; they are sober and realistic. And people could stand to hear from them. PR failings in this war have been pronounced.

Before we leave, Helmick, who likes football, quotes Coach Lou Holtz at Notre Dame: "We know we're not where we need to be. But we're glad we're not where we used to be."

HOUSE TO HOUSE, ROOM TO ROOM

Our group goes to a series of training centers, to see Iraqi forces being prepared to take over more of the fight. They practice going from house to house, and room to room, looking for terrorists. They learn to disable IEDs (improvised explosive devices). They show us how they protect dignitaries—cabinet members, judges, and the like. "Dignitary protection" is an extraordinarily important function.

From year to year, Iraqi officials come in for a lot of criticism, and criticism is no doubt deserved. (Saddam did not come in for much criticism, of the open kind.) But I try to remember: These guys risk a lot, when they assume their posts. They make themselves targets of terrorists, and they make their families, friends, and associates targets, too. How many of us would be willing to step up?

Where special forces are trained, we ask a man some basic questions. "Why did you join up?" "To defend my country." "Against whom?" "Terrorists." "Did your family suffer under Saddam Hussein?" "Yes, a lot of families did." "Are Americans occupying your country?" "'Occupation' has different meanings. Saddam Hussein occupied this country." Incidentally, this man's brother was killed not long ago, because terrorists learned that he—their victim—had a brother in the special forces. We hear a lot about sacrifices such as this.

An American who works with Iraqi special forces says, "They're all in. They're committed. This is their home. I can leave, but they have nowhere else to go. They have to stand and fight."

No one is more keen to stand and fight than Colonel Abbas, whom we talk to elsewhere. He says he was the first man to join the Iraqi army—the new Iraqi army, in July 2003. He calls you "my brother." No one is more grateful for American assistance than he. And he calls the enemies of Iraq—al-Qaeda, the militias, the Saddam remnant—"the bad people." That is his shorthand: "the bad people." To many, that would be simplistic, even laughable; but, to me, it sounds about right. Abbas has ample experience with the bad people: His infant daughter was killed when they attacked his house. And his father later died from the effects of that day.

Abbas wants one and all to realize what is at stake in Iraq. He says that, if the coalition pulled out—before its time—it would hand victory to al-Qaeda and Iran. And hand Iraq to those elements, too. "I wish I could talk to Obama, to tell him the reality of Iraq, instead of whatever is in his mind." About President Bush, he says, "He's a great man in the world. I want to see a monument to him in Baghdad. A man like him comes every 300 years." You don't hear this about Bush very often—at least at home. But Abbas is entitled to his opinion too, isn't he?

He has great faith in the American people, upcoming election or no upcoming election. In fact, I sense an almost naïve faith. And as our group walks to waiting helicopters, I think of Vietnam (as I do throughout this trip). There were lots and lots of Vietnamese like Abbas. The luckiest of them ended up in California. I think of April '75, one of the most shameful months in our history—all those people, desperately clinging to the helicopter skids. Could this happen to Iraq? Could we turn our backs on them, leaving them to be devoured?

In front of the "helos," Abbas embraces us and says, "God bless you." I say the same to him, and mean it, deeply.

IDEALISM IN ACTION

On our schedule is a tour of a market called Doura, in Baghdad's Rashid district. As we make our way there, I meet a man named Walter Koenig, who works with a PRT, or Provincial Reconstruction Team. He calls himself a "State Department reservist." And I'll tell you his story, briefly.

A businessman, he worked in the Middle East for a number of years. He is now the CEO of a manufacturing company in Florida. He took a leave of absence from his company to come do this (after talking with his board and his family—not necessarily in that order). Why'd he do it? Why'd he come here? "I wanted to serve my country." Also, "it sort of makes up for not having been in the military." And "it's exciting to see things develop here"—to see Iraqi communities come back to life, or have a chance at life.

There is no doubt much cynicism in Iraq, and many Americans and other Westerners are surely tired. But I see a striking amount of idealism, too.

Rashid and Doura were once dead and deadly, but are now alive (more alive) and safe (more safe). We see a bridal shop and ask the owner, "How's business?" "Good, thank God." "How do you account for it?" "When people are more secure, they're more likely to marry." His best wedding gown rents for $60 a day.

Capt. Daryl Carter knows this neighborhood like the back of his hand, and he leads our tour. He greets the kids, throws out bits of Arabic. He has coaxed many storeowners back to their stores, assuring them it is safe to return. That's the job of a captain? Yes, part of it. I'm often amazed, as I tour Iraq, at all the U.S. military does. This is really Erect-a-Nation.

And I note the easy interaction between American soldiers

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and Iraqi citizens, many of them. When doing so, I think of a German friend of mine. Earlier this year, he told me that his grandfather was a POW of the Americans, and always remembered the Americans fondly: because of their humanity. But such humanity is not being shown in Iraq, said my friend—at least as far as he could tell. What's happened to the American spirit and the American heart? No wonder the world has turned against America.

It's all baloney, of course: Bonds are being formed here as in WWII and other conflicts. But stories aren't getting out, that is true.

I walk through the market with Gen. Robin Swan, and he notes a key distinction between Iraq now and Iraq then—Iraq post-surge and Iraq pre-surge. Terrorists can still perform spectacular bombings, for sure. But sectarian violence does not now follow those bombings. Life goes on. And the bombers are denounced.

He also answers a question of mine in an interesting way. Earlier, in a meeting, I asked, "Why are these terrorists so hard to beat? Why can't we subdue them, after all these years?" Swan points to a man browsing a stall and says, "Is he AQI?" (meaning Al Qaeda in Iraq). "How about this guy? And how about him? Are they AQI?" You can't tell. They don't wear uniforms. They melt into the population. All it takes, really, is one guy to wreak havoc. Say he rolls a grenade in a crowded place like this. It makes the news, and countless Americans say, "See? They don't want us there." What do you mean, "they"?

The commanding general, Odierno

ROBERT H. REID/AP

As we chopper from this district back to the Green Zone, Swan points below to an amusement park, recently reopened: "I really wanted to get that park open again. It's a return-to-normalcy issue." There are thousands of such issues in Iraq. And, to say once more, isn't it amazing what our military is doing—working to get people to reopen their amusement parks? Is that what the boys went to West Point for? This is, indeed, Erect-a-Nation—or "a full-service military," as Swan says, with a smile.

REALLY, REALLY IMPORTANT

Ryan Crocker is the U.S. ambassador here, and he has been ambassador in many Middle Eastern countries—also in Pakistan. He gives us an extremely interesting and informative hour. And at the end, I ask one of the most clichéd questions (but often a useful question): "Is there anything else you'd like to say? Is there anything that people should know?" Yes, actually: "Iraq is really, really important. How things go here will transform the region and America's role in the region, one way or the other. . . . People are tired of Iraq. They say, 'Let's get it over and done with. We don't want to watch the Iraq movie anymore.' But the Iraq movie will go on for many more reels, with or without us. And it will have a big effect on us, whether we like it or not."

We visit the detention center at Camp Cropper—a place where they bring in jihadists, holding them for a spell. Must be a hellhole of torture and deprivation, huh? Not really. Detainees are treated to the best medical care, and to conscientious nutrition. To "life skills" classes, "Islamic discussion" sessions, and so on. They get regular visits with their families—"which is more than we get," comments a soldier. When they're released, they're given a choice of clothing—Western or Arab—and $25 to put in their pocket. Some mothers ask the center to keep their sons for longer.

Among the classes is a sewing class, and the instructor shows us the "graduation piece"—it is a stuffed camel, known as "the Cropper Camel." I'm thinking, "What does al-Qaeda teach the people *they* capture? What is *their* graduation piece?" But those are bitter thoughts, and one must not be bitter. It's hard to avoid, however, when thinking about Abu Ghraib: and how the world rejoices in identifying a few misdeeds with the entire American project in Iraq.

Our group wends its way to the Faw Palace—one of Saddam's pleasure palaces. Hideous debauchery, and horrible crimes, took place here. But now it is coalition headquarters. And the place is crawling with American soldiers, which does my heart good—just as it would have to see them crawl around Berchtesgaden.

Guarding the palace are marines from Tonga—yes, Tonga. And I see or hear about other foreign nationals working here in the coalition: Brits (of course), Aussies, Italians, Danes, Romanians, Bulgarians, Ukrainians, Ugandans, Peruvians, Salvadorans . . . I think about what Donald Rumsfeld once told me about the small countries, and the modest forces they send: "Yes, the countries may be small, and they may be contributing relatively few men." (I'm paraphrasing.) "But maybe it took political or personal courage to contribute even that number. And maybe those men constitute a significant percentage of their country's armed forces. Does anybody ever think of that?"

No.

In the Faw Palace, we sit down with Gen. Ray Odierno, who is "CG"—commanding general—of coalition forces in Iraq. He gives us an overview. And we question him hard. He has a knack for putting things plain. For example, "In 2006 Iraq was a failed state. Now it is a fragile state." We have not yet reached the point of Iraq's being a "stable state." But that is what we're driving toward. Gradually, we are turning matters over to the Iraqis, alone. "I want our forces to reduce their visibility yet maintain their effectiveness. I tell them I want everything." We have invested so much, over these five and a half years: "I hope we'll be able to finish this and do it right."

I chew over those words: "I hope we'll be able to finish this and do it right." Me too. **NR**

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the long view

ROB LONG

Ask Michelle Obama™

Our new First Lady responds to your questions

DEAR MICHELLE:
First off, congrats to you both for the big win. Although I didn't vote for you, I'm happy for you and your family and wish you the best. Also, I'm glad the whole election thing is over! LOL!

My question is this: With the holidays fast approaching, my husband and I are thinking of maybe reducing the number of outside lights on the house. We usually "do it up" in grand style with a blinking Santa and reindeer on the rooftop, and an animated Frosty on the front lawn. But this year, with the economy and energy prices, it seems to him like it's a bad idea. Myself, I think we should "go big" and add a manger scene and some adorable flashing elves, to keep the spirits up in the neighborhood and Christmas cheer soaring.

My husband said he'd agree to whatever you said. "They're in charge now," he said. So, what should we do?

—CHEERFUL IN CHEBOYGAN

DEAR CHEERFUL:
Clearly, you're a racist. That's fine—hey, we live in a democracy, and people of your socioeconomic class often resort to racism and fatty foods to soothe the pain of being left out—but I can't help but wonder why, exactly, you didn't vote for my husband if it wasn't because of race. Maybe instead of festooning your house with electric symbols of white oppression and overeating sugary carbohydrates, you can take some time during the holidays to reflect on your own toxic, hate-filled prejudices. And you just might lose a few pounds while doing it.

—MICHELLE

P.S. Will you be in your home next Tuesday at 5:30 P.M.? I'd like to send someone around to visit with you.

DEAR MICHELLE:
Help! My wife and I are celebrating our tenth wedding anniversary with a nice dinner out. Money's been tight, but we're really trying to make a nice night of it. Here's the snag: I think we should go to a nice steakhouse, and my wife's dead set on the local chi-chi Italian place. What do you think?

—STEAK LOVER IN ST. PETE

DEAR STEAK LOVER:
Honestly? Steak is racist. So is Italian, frankly. You may not have known that, of course, because for years we didn't talk about these things. But we do now.

My advice is, don't go anywhere. Stay at home and try to point out to each other how each of you is racist.

—MICHELLE

DEAR MICHELLE:
I have to confess something: I didn't vote for your husband. I found his policies, on balance, to be slightly less in line with my own than John McCain's, and honestly, with the way the world is going these days, it seemed like the time for a seasoned leader and not a young, untested man.

To avoid a lot of nasty looks and under-the-breath remarks, however, I told my pro-Obama friends that I was an Obama voter.

Now that you and your husband are heading to the White House and everything turned out okay, should I come clean to my friends? After all, it can't do much harm now, can it?

—CONFUSED IN THE BATTLEGROUND STATES

DEAR CONFUSED:
What can't do any harm? Your dishonesty to your friends—and, worse, to a lot of decent, hard-working pollsters, I suspect—or your inability to see the true potential of my husband's leadership, since you were clouded, no doubt, by your own deeply held racism and love of guns and all-you-can-eat buffets?

What you're really asking me, I think, is if it's "okay" that you're a racist who voted racistly against my husband due to his race, and whether it's "okay" to inject racism into politics in a racist fashion by playing the race card.

I've been getting a lot of mail along these lines, mostly from morbidly obese people like you who can't see beyond race. And you know what? I'd really rather have this conversation in person. Please send me an e-mail at racistroundup@gmail.com with your exact street address and daily schedule (when you leave for work, when you get home, etc.) and I'll send someone along to collect you so that we can visit together in person.

—MICHELLE

DEAR MICHELLE:
My girlfriends and I are having a friendly argument. I say an e-mailed thank-you note is improper; only a hand-written one will do. My girlfriends say I'm old-fashioned. Who's right?

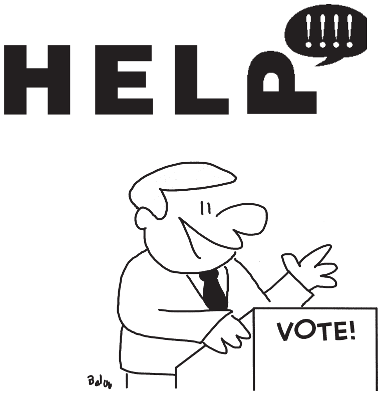
—FUDDY-DUDDY IN PHILADELPHIA

DEAR FUDDY-DUDDY:
As everybody knows, "thank-you note" is just a code word for racism. So are "e-mail" and "old-fashioned" and "argument" and "girlfriends" and "improper" and "is" and "an" and "I'm" and "my."

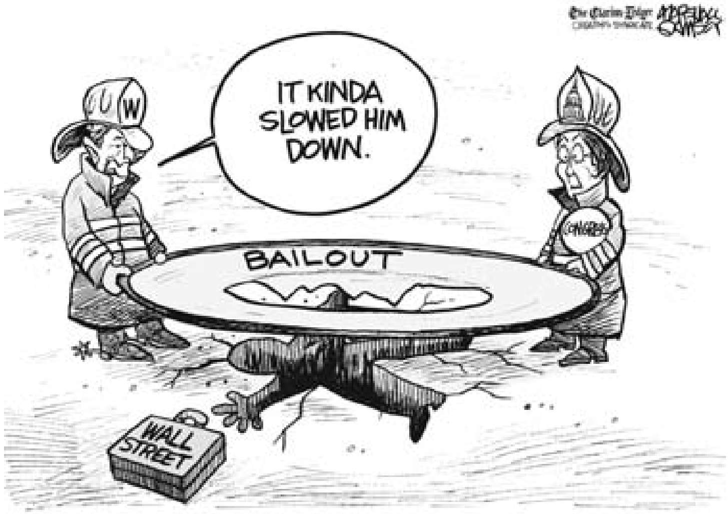
So it's hard for me, obviously, to answer such a loaded question, chock-full of such loaded hate speech.

Could you please send me a MapQuest link to your location, and the location of your girlfriends, so that you can all be collected by an unmarked van? Thanks!

—MICHELLE



"Sure, but think what a crook I'd be without hypocrisy."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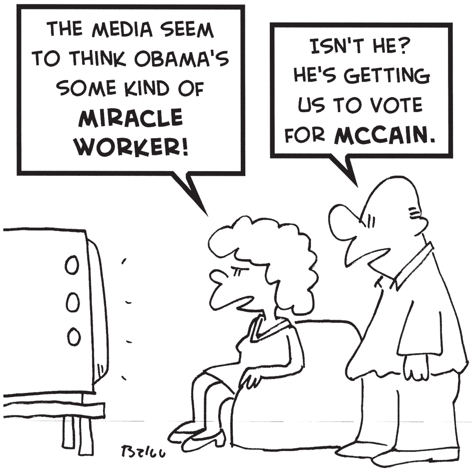
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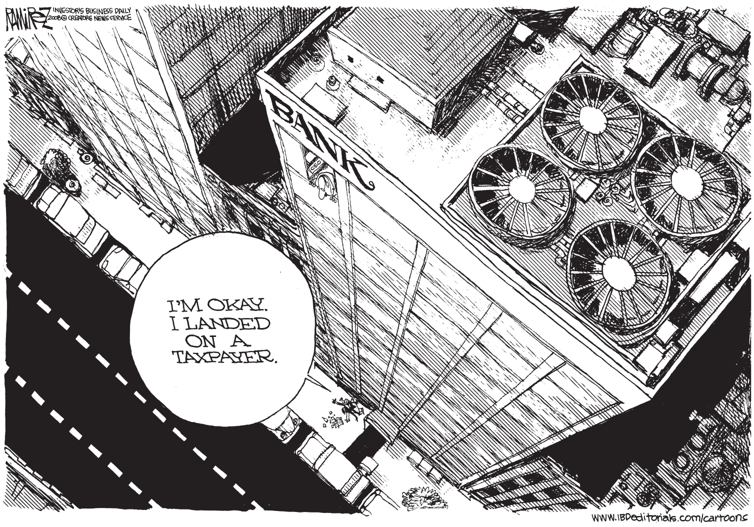
ISN'T HE? HE'S GETTING US TO VOTE FOR MCCAIN.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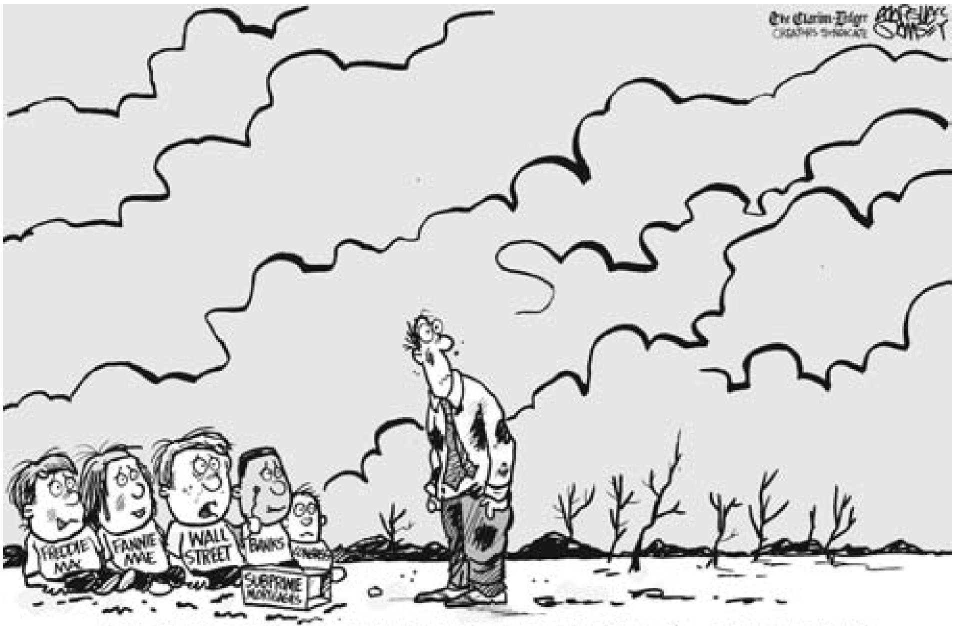
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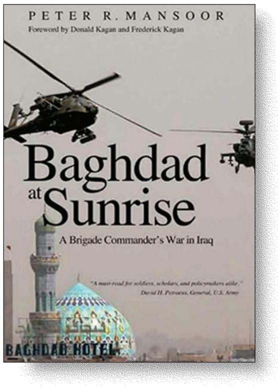
"WE WERE PLAYING WITH MATCHES AND BURNED the WORLD DOWN."

Real Change, Real Hope



Baghdad at Sunrise: A Brigade Commander's War in Iraq, by Peter R. Mansoor (Yale, 416 pp., $28)

BING WEST

On one level, this is a wartime diary written by a literate brigade commander explaining how to lead 3,500 soldiers in the face of sudden, episodic violence. The reader will be exhausted following Col. Peter Mansoor through a year of 15-hour days, where his attention was divided between wartime operations and political interactions with Iraqis. At another level, this is a book that commanders should study, asking themselves: What would I have done if I had believed the overarching strategy was wrong? Throughout the book, Mansoor (now retired) wrestles with that question.

He brings a unique perspective to the issue. In 2003–04, he was an armored-brigade commander in Baghdad as the insurgency gathered momentum, and that is the focus of his book. He explains that the U.S. Army responded with a strategy of "offensive operations"—raids aimed at finding the insurgents, while the U.S. soldiers lived on bases separate from the people. In 2005–06, he returned to the States and was a principal author of the new Army field manual on counterinsurgency that strongly opposed the strategy of offensive operations. In 2007, he returned to Iraq as executive officer to Gen. David Petraeus, who advocated counterinsurgency and insisted that U.S. soldiers no longer live on bases separate from the people. So Mansoor was a participant in both strategies—offensive operations and counterinsurgency.

He begins his book by coming down firmly on the side of the Army's 2007 strategy of counterinsurgency. "A military force," he writes in the introduction, "must live with the people it would defend." He thus sets up the basic problem to be discussed in his careful, readable book: the institutional resistance to changing course. Mansoor, the top academic graduate in his class from West Point, understood what needed to be done. Yet that was not what happened.

In July 2003, as the insurgency gathered momentum, Brig. Gen. Martin E. Dempsey (who rose to three stars in charge of the Central Command in the summer of 2008) ordered Mansoor "to consolidate our troops into battalion-sized bases." This was the beginning of the notorious pullback into huge FOBs, or Forward Operating Bases, far removed from the population. Mansoor writes that he supported the decision: "in retrospect, probably the wrong call." The pullback was followed by an order "to execute 'offensive operations' to destroy enemy forces. I [Mansoor] winced."

His wince is understandable. U.S. forces were sallying forth in search-and-destroy operations against insurgents in civilian clothes whom they could rarely identify, then retreating back to their FOBs and conceding the neighborhoods to insurgent gangs. As a student of counterinsurgency, Mansoor understood the strategy of offensive operations was incorrect. As a brigade commander who was losing soldiers, he confronted the tension between counterinsurgency theory and practice. After a roadside bomb killed a lieutenant, Mansoor decided that "before we could win the hearts and minds of the Sunni residents in Adhamiya [District], we first had to earn their respect. . . . The gloves were about to come off." But when taking off the gloves to conduct months of episodic, large-scale armored raids yielded scant payoff, Mansoor concluded that "we needed infantry in patrol bases spread among the population."

What happened instead, in November 2003, was that Brigadier General Dempsey decided that (in Mansoor's words) "the situation was stable enough to begin reducing the coalition presence in Baghdad" and sending back to Germany one-third of all armored vehicles. The goal in combating insurgencies was to deploy one soldier or policeman per 50 inhabitants in disputed areas—but in Baghdad, Mansoor noted a ratio of one U.S. soldier per *600* inhabitants, plus a smattering of untrained Iraqi soldiers and corrupt police. Mansoor objected to Dempsey's order, to no avail. For the next four years, Adhamiya remained a stronghold for Sunni resistance in Baghdad.

Yet it took a while for the strategy's failure to become evident. By the end of 2003, Mansoor observed, "Operation Iron Hammer made me optimistic about the security situation in central and northeast Baghdad." Offensive operations seemed to have paid off. But the insurgency continued to advance, says Mansoor, because the Coalition Provisional Authority (CPA) under the leadership of Amb. L. Paul Bremer "failed to bring the real leaders of the Sunni community into negotiations, ensuring their continuing resistance." Indeed, he castigates Bremer's operation throughout the book as authoritarian, ignorant, arrogant, and downright dangerous to U.S. interests.

In April 2004, the wheels came off the military and political efforts in Iraq. President Bush approved an assault against the fractious Sunni city of Fallujah, then ordered a retreat when Bremer reported that the Iraqi officials advising

Mr. West has written three books on the Iraq War. His latest is *The Strongest Tribe: War, Politics, and the Endgame in Iraq.*

him were threatening to resign. At the same time, Bremer had moved against the militia loyal to the renegade preacher Moqtada al-Sadr, who responded by rebelling. His militia in Sadr City took to the streets to battle American units. Far from being stable, Baghdad became the scene of heavy fighting, partially because, the author points out, "the 2nd Armored Cavalry Regiment, which had been unable to curb the expansion of Sadr's militia, had just relinquished control of the area."

The author and his command—the 1st Brigade of the 1st Armored Division—were rushed south to Karbala, where they heroically assaulted and disrupted Sadr's militia. In July 2004, the 1st Brigade returned to its home base in Germany and received a richly deserved Presidential Unit Citation. But Mansoor was frustrated because, "in the end, the victory was largely squandered by decisions that allowed Moqtada al-Sadr to escape."

Mansoor concludes the book by discussing insurgencies in the 21st century. It's unsurprising that his conclusions reflect the thinking of his equally incisive boss, Gen. David Petraeus. As the justifiably proud commander of a battle-tested brigade, he concludes that "U.S. forces in Iraq in the winter of 2003–04 had created the conditions for political reconciliation and an end to the insurgency, provided CPA altered its strategic approach." As a dispassionate analyst, however, he concludes that efforts in the war's first year "to kill and capture insurgents led to a violent, real-life version of the carnival game 'whack-a-mole.'"

> **Mansoor has the keen insights, analytical rigor, and extensive contacts to probe the critical subject of how a massive institution changes strategy during war.**

So what's the truth? Was the pullback strategy in Baghdad in 2003–04 a mistake, resulting in "whack-a-mole"—or a success, creating the right conditions to "end the insurgency"? Mansoor explains that at the end of 2003 there was a window of opportunity to reach out to the Sunnis, bring in their leaders, and preempt their support of burgeoning resistance groups. He points out, however, that Bremer's operation slammed that window shut; and then the insurgency flared up. By late spring of 2004, Mansoor had concluded that "the withdrawal from our forward operating bases inside Baghdad was a huge mistake. . . . Had we remained positioned inside Baghdad to secure the Iraqi people and assist them in developing a new state, the sectarian cleansing that tore the fabric of Iraqi society two years later would not have occurred." The author writes that he made "a weak entreaty" to Brig. Gen. Mark Hertling (now a division commander in Iraq) for the 1st Brigade to remain inside Baghdad, but to no avail. He attributes the mistake of withdrawing to bases to the "concern among senior leaders that coalition forces would overstay their welcome in Iraq's cities, thereby turning liberation into occupation."

This raises the question: How does the Army as an institution learn, especially at the top levels? This is not an academic question; the Army is the service in command in both Iraq and Afghanistan, having since 2003 held 17 out of 18 senior command slots. Four of the five CentCom commanders have been Army, as have been the four Multinational Commanders and five Corps commanders in Iraq, and the four senior commanders in Afghanistan. The responsibility for adapting at the top level thus falls principally on the Army.

As both a senior Army commander and a top-notch strategist, Mansoor has the keen insights, analytical rigor, and extensive contacts to probe the critical subject of how a massive institution changes strategy during war. Why did it take three years for the Army to change strategy in Iraq? The U.S. is about to change strategies in Afghanistan, now that General Petraeus is in charge of the Central Command. Why did it take six years in Afghanistan before a change was made? What are the mechanisms that ensure that change is carried out? Now a professor at Ohio State, Mansoor is the right man to address those questions in a follow-on book. **NR**

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■ **SHELF LIFE** ■

Confirm Thy Soul

MICHAEL POTEMRA

In her new book, ***Patriotic Grace: What It Is and Why We Need It Now*** (Collins, 192 pp., $19.95), veteran conservative author and Reagan speechwriter Peggy Noonan diagnoses the malady of America's political culture in the post-9/11 era. The illness began, she writes, with partisan "teamism"—and subsequently "degenerated" into outright "gangism."

She summarizes the tone of the decade's politics as follows: "From the Left: *Bush lied, people died. The chimp started the war to pay off his corporate cronies.* From the lunatic fringe of the Left: *9/11 was an inside job.*" And from the Right: "*You don't support the war? Then you are not a patriot. . . . You criticize Bush? Now, while we're at war?*" The Left "indulg[ed] in grim, and mindless, triumphalism," showing "a smirk of pleasure" whenever bad news was reported from Iraq. The White House, for its part, resorted to "the last refuge of the adolescent: defiance. Their attitude was: 'Oh yeah? We're Lincoln, you're McClellan. We care about the troops and you don't.'" Both sides, reports Noonan, have been called "thuggish"; and in both cases, she says, the charge "was not unfair": "I was starting to feel that Washington was a city run by two rival gangs that had a great deal in common with each other, including an essential lack of interest in the well-being of the turf on which they fought."

Even after the (almost universally recognized) success of the surge strategy in Iraq, it's hard not to read the quotes in the above paragraph through the prism of one's views of the war. Someone on (my own) pro–Iraq-War side will feel the bile rising: *But dammit, we were right; all we needed to do was double down and get serious, with more ground troops. Why can't she see that?* And I can easily imagine someone on Barack Obama's side feeling equally angry: *But dammit, we were right; just because Bush won back the family's house and car at the poker table doesn't mean he wasn't crazy to have bet them, and have lost them, in the first place. Why can't she see that?*

To appreciate Noonan's point, therefore, requires a certain level of abstraction from the political rages of the day, and—as if to prove her point—this kind of detachment appears increasingly rare. Political culture, like every other kind of culture, needs cultivation: It needs a willingness to restrain the urge toward the lowest common denominator, recognizing that the demonization of political opponents depletes the common fund of good will, with dire consequences for society.

Pervading Noonan's book is the theme that catastrophic events are impending—in her words, "a 9/11 times ten, or a hundred, or more"—and that that's why we should embrace a new politics: "The old politics are over. The weary going through the motions as each side brutalizes the other: over. . . . This is a time for seriousness, for high-mindedness, forbearance, and reason." But I think her rhetorical strategy here is misjudged, and hints that she might be suffering from a milder strain of the same infection she's trying to cure: a hyperbolic expansion of political views into articles of faith, of disagreement into existential crisis. Let's say the terrorist threat is overblown, that the Bush administration has done a great job of wiping it out, and that as a result we won't have anything like 9/11 anytime soon; and let's say the technicians who run our electricity grid are doing a fine job, and as a result we won't have a civilization-wide power outage that sends us back to the Dark Ages (a concern Noonan expresses at some length): Would that make it okay for us to persist in the "spirit of mindlessness [and] of dim, conceited carelessness" that characterizes today's politics?

Kierkegaard had a famous parable in which a clown rushed out on stage to warn people that a fire had broken out backstage and that they should leave the theatre; they just laughed, because they thought it was part of the show. The more frantically the clown insisted on the danger, the funnier everyone thought it was. To couch the case for civility and national unity in an assertion of the likelihood of national calamity is to invite a similar failure of communication: *Poor Peggy*, the cynical operatives will whisper, *she's not a conservative—she's an overreactionary.*

And that would be a genuine shame, because people would then miss the deeper wisdom in this book, on matters large (decency, maturity) and small (the "Caesar-Pope" cult of the presidency, the absurdity of the Department of Homeland

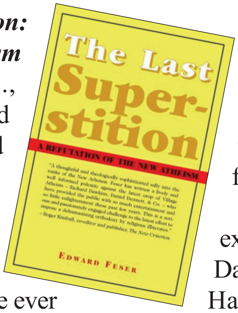
HENRY HOWARD

He raised hell and broke windows, and even worse—
The worst sort of proud aristocrat.
If so, so what? He wrote the first blank verse
And some of our first sonnets. And if that
Were not enough to put us in his debt
Deeply and forever, he gave us more.
He saw to it that we should not forget
His staunch young squire, Thomas Clere, who bore
The miseries of battle with his lord
In Scotland and in France, where to be brave
Was to risk everything—and his reward?
An elegy to justify his grave,
Praise for his loyalty these five hundred years,
And, rarest of all tributes, strangers' tears.

—ROBERT MEZEY

Security with its “useless pork” and its “Nazi-ish name”). Because Noonan is right: We do, in fact, need a “patriotic grace—a grace that takes the long view . . . and eschews the politically cheap and manipulative. That admits affection and respect. That encourages them.” One of her best lines comes on the heels of her excoriation of Internet extremists, and cuts to the heart of the problem: “I should say here, because some in Washington like to dream up ways to control the Internet, that we don’t need to ‘control’ free speech, we need to control ourselves.”

“Confirm thy soul in self-control,” as the great old song has it: That’s the task to which Noonan summons readers. And it’s a message we need, now as ever.



■ Try to imagine the *Summa contra Gentiles* as written by Keith Olbermann, and you will have some idea of the tone and style of ***The Last Superstition: A Refutation of the New Atheism*** (St. Augustine’s Press, 299 pp., $27). The book’s author, Edward Feser, is an immensely talented Aristotelico-Thomistic philosopher, and the pages he devotes to explaining the proofs for the existence of God are as clear, cogent, and convincing as any I’ve ever read (and I’ve read many).

Now, about the tone. Many right-wingers will delight in much of Feser’s angry and abusive invective: Richard Dawkins is “a writer of pop science books who evidently wouldn’t know metaphysics from Metamucil.” “Where *philosophy* is concerned, Richard Dawkins evidently knows about as much as Richard Dawson.” “There are no greater vulgarians” than secularists. A particular student is “a shallow and sophomoric jackass.” The denial of final causality is “bulls**t.” The authors of recent atheistic bestsellers are “mental and moral midgets” and “charlatans.” And so on.

Now, I have endured my share of verbal abuse at the hands of angry propagandists for the New Atheism, so I can certainly understand Feser’s desire to pay them back in their own coin. But his decision comes at a cost: There are readers to whom I would very much want to give this book, because, e.g., it explains splendidly just how convincing the unmoved-mover argument really is and how the distinction between essence and existence in things means that the principle of causality remains unassailable (despite centuries of unsupported proclamations to the contrary). But will these readers get past the first paragraph of the preface, where Feser suggests that legislating a right to gay marriage is analogous to declaring a donkey to be a horse? This is the debating strategy known technically as “leading with one’s chin”: There are philosophical arguments that try to demonstrate that gay marriage is a contradiction in terms, and Feser makes some of them later on, but to insist that the reader accept such an assertion before he even gets to the beginning of page 1 is an imposition on that reader’s patience. First, try to establish the principle of teleology; only then, if you insist, should you hit the reader with the most controversial (and indeed highly questionable) conclusions you believe to follow from that principle. (By the way, there’s actually a *lot* about gays in the book. Suggestion: If you have a gay friend you’re trying to convince of God’s existence, this book would emphatically not make a good Christmas gift for that person.)

Feser is most helpful when he explains that the New Atheism of Dawkins, Dennett, Hitchens, and Harris is not—contrary to their noisy assertions—based on physical science. It is a philosophical argument, and one that is not as strong as the argument for theism. “Contemporary science and philosophy,” Feser writes, “*have if anything and despite themselves made the reality of irreducible teleology even more evident.*” He shows especially how our deeper understanding of biological phenomena and complex inorganic systems points to an innate goal-directedness in nature. What is DNA, after all, but information—which is to say, evidence of meaning and purpose? Feser quotes Nobel-winning biophysicist Max Delbrück, who wrote that if the Nobel Prize could be awarded posthumously, “they should consider Aristotle for the discovery of the principle implied in DNA.”

The classical philosophical tradition has a high understanding of physical science, as a search for the full truth about the material world. For centuries, the scientific world has largely been sidetracked from this calling by indefensible philosophical assumptions—and it may now be waking from its long dogmatic slumber. **NR**

■ ART ■

Imagining The Chairman

ANDREW STUTTAFORD

The sculpture (by Sui Jianguo) squats, a weird piece of a whole that was never made, on a median bisecting one of the more affluent slices of Manhattan’s Park Avenue. It’s of a distinctive, very distinctive, jacket, nothing more, but it’s oddly bulky, as if the colossus who once wore it were, impossibly, somewhere within. And because the shape and the cut of that jacket are so distinctive, the onlooker is encouraged to fill it with his own image of the only individual (out of hundreds of millions once clothed in such garments) it could possibly represent. He’s a man (“monster” is too easy an alibi for you and for me) whose deeds heaped further disgrace on an already savage century, yet who now finds himself with a place in the collective imagination that is strangely, and disquietingly, ambivalent.

If, on the other hand, you’re just puzzled by the sight of an oversized piece of metal tailoring in the middle of Park Avenue, glance across at the building that houses the Asia Society. A banner emblazoned with Chairman Mao—ah, that’s whose jacket it is—flutters, advertising the society’s latest exhibition. *Art and China’s Revolution* is a remarkable collection (it runs until January 11) of works dating mainly from the first three decades of the People’s Republic. To see it is to be left in little doubt about the nature of the man in that jacket.

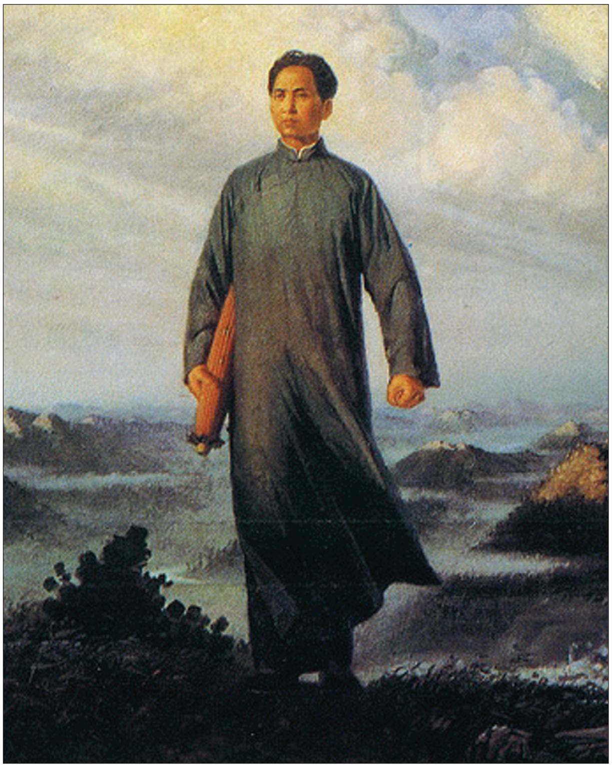
And that’s probably why the Chinese government refused to lend art to this show. The party’s authority is still meant to flow, somehow, from Mao. To admit too much of the past would be awkward. “Thirty percent wrong, 70 percent right”

Mr. Stuttaford is a contributing editor of National Review Online.

and leave it at that. The killer's corpse belongs in a criminal's grave, but rests instead, honored, cherished, embalmed in chemicals and lies, housed on a Tiananmen Square defaced by his image and wrapped in his myth. The state that Mao made has mutated in ways that the People's Liberator would have detested, but when that increasingly prosperous people buys once-undreamt-of consumer goods they do so with currency carrying the picture of the dictator who consigned 30 million, 40 million, 50 million, who knows, of their compatriots to their deaths: blood money of a sort.

With so much cruelty to choose from, it's difficult to identify the moment when Mao's long despotism reached its appalling nadir, but there is something about the Great Proletarian Cultural Revolution that makes, to use the official euphemism, its "ten-year turbulence" (roughly 1966–76) a repulsively unique period in Chinese history. Far fewer perished (perhaps somewhere between 500,000 and a million; others reckon far more) than in the course of some of Communist China's earlier horrors, but the scale of its ambitions were more total, and their implications more sinister, than anything seen before or (outside the Khmer Rouge's copycat Kampuchea) since. Yes, it's true that the early years of the Soviet revolution were marked by a similar belief that the very essence of man could be refashioned, but, with the exception of the onslaught against religion, the attempts of the Bolshevik intelligentsia to turn millennial delusion into quotidian reality did not survive the ascendancy of Stalin, a cynic who saw a return to cultural conservatism as a way of buttressing his power.

The no-less-cynical Mao took the opposite tack, inciting a revolution from below ("bombard the headquarters") to eliminate any possible opposition within a leadership increasingly concerned that the Great Helmsman was steering their regime onto the rocks. To the tough Communist apparatchiks at the top of the Chinese party, a charnel house was, within limits, perfectly acceptable; a mad house was not. Mao appealed over their heads to the educated and semi-educated young with a manipulative rhetoric that combined a dramatic rejection of the past (destroy the "four olds": old ideas, old culture, old habits, old customs) with the promise of permanent revolution ("to rebel is justified") and ecstatic mayhem ("be violent") in one intoxicating, exhilarating mix. The result was a hysterical spasm that devastated an already-ruined nation and, in its wildest extremes, looked to complete the transformation (*zaosheng yundong*) of the Chairman into the living god he was so clearly already becoming. Communism had, for all practical purposes, always been a religion, just never quite so openly.



Chairman Mao Goes to Anyuan

Like all religions Maoism boasted an iconography, an iconography that is at the heart of the Asia Society show. We see traditional Chinese inkwork superseded by more "modern" painting in oil, its ancient subtleties replaced by the heavy (if occasionally wonderfully executed) didacticism of imported Soviet-style socialist realism. The arrival of the Cultural Revolution is summoned up by a series of fierce woodblock prints (often, interestingly, in the red, white, and black of Hitler's swastika flag; those colors do the tyrant's work so well), urgent, violent, inflammatory, deranged, the paper trail of a nation spinning, and being spun, into the abyss: *Smash the Cultural Ministry! Smash the Dog Head of Soviet Revisionists!* Smash. Struggle. Destroy. Obliterate. Even buildings were not spared: Seventy percent of Peking's officially designated "places of historical and cultural interest" were destroyed in the frenzy.

Socialist realism meanwhile merged with, in Mao's approving words, "revolutionary romanticism," "red, bright, and shining" depictions of a dream world (sometimes almost literally so; check out Zheng Shengtian, Zhou Ruiwen, and Xu Junxuan's *Man's Whole World is Mutable, Seas Become Mulberry Fields: Chairman Mao Inspects Areas South and North of the Yangtze River*), that was, in truth, nightmare, lie, and something far, far stranger still. And as the Red Guards rose and darkness fell, images of that dream, and instructions on how to dream it, were repeated again and again across all media, from paintings, posters, and photography, to opera, to song, to "loyalty dance," to film, and, most definitely, to the exclusion of everything else. Again and again and again: On some estimates 2.2 billion "official" portraits of Mao were reproduced in one format or another during these years. The print runs of the Christ-Mao of Liu Chunhua's *Chairman Mao Goes to Anyuan* (1969) are thought to have amounted to 900 million alone. Mao, always Mao: "The world's red sun" was the focal point of the paintings in which he appeared, glowing with an inner light, an unmistakable hint of the divine reinforced by mists, mountaintops, and suggestions of the miraculous.

And as icons tend to do, these materials offer their viewers a glimpse of an alternative, fantastic reality, in this case a heaven right here on earth. Many are undeniably, if eerily, beautiful. To their credit, the exhibition's curators supplement them with commentary (as well as some extraordinary, and long-hidden, photography from that era by Li Zhensheng) that leaves little room for ambiguity about what these artworks both represent and disguise. Despite this, the Asia Society's gift shop still sells bits and pieces of Maoist junk, revolutionary tote bags, enameled portraits of the great man, and a stack of Little Red Books. That's equivalent to selling Nazi paraphernalia at a museum show dedicated to the art of the Third Reich, but, as is generally the case when it comes to insulting the memory of the victims of Communism, few seem to care: Mao killed millions and all I got was this lousy T-shirt.

The realization that those uncounted tens of millions of Chinese dead do not count for very much is reinforced by the presence in the Asia Society's foyers of a group of Qu Guangci's identical stainless-steel statues of Mao. Simultaneously clueless, knowing, and saturated in a borrowed pop-cultural sensibility, these works wink at atrocity. And they are not alone in doing so. They are reminders of the way that China's younger generation of artists has appropriated Maoist imagery for its own purposes, sometimes satirical, sometimes antic, and sometimes serious, but almost always with an eye on the marketplace. That they find buyers in China is evidence of a country in denial about its past. That they find buyers in London, Paris, and New York reveals something almost as bad, a West where too many are willing to use somebody else's revolution as a means of self-expression—at a comfortable distance, of course.

To own the latest Maoist pastiche by Wang Guangyi may merely be a matter of status, a refreshingly vulgar assertion of both wealth and (less obviously) taste. Too often, however, it is accompanied by the stale stink of radical chic, a noxious whiff of '68 that conjures up memories of Berkeley, the Sorbonne, and Western students "carrying pictures," as the Beatles so acidly sang, "of Chairman Mao." But to do so was, usually, no more than exhibitionism, less gesture of support for the Cultural Revolution than fashion statement, a painless public proclamation of modish rebelliousness, trendy utopianism, and the hidden self-loathing that lurked within the notion that the West had to look beyond itself for authenticity (whatever that meant). It wasn't about Mao. It was about "me." And all those deaths, repressions, and wrecked lives, oh, safely offstage.

They still are. **NR**

■ ESSAY ■

Burning Man, at Both Ends

JASON LEE STEORTS

The Middle of Nowhere, Nev.

‘Hello, how are you?" It's 4:30 A.M. and three shadows stand at the edge of our camp. The one in the middle is talking. "We're looking for Ecstasy and enough marijuana to roll a joint. Can you help? In exchange I'll give you this—"

The shadow steps closer and I see that it's a man, perhaps 50, conservative in appearance, silver of hair, hand outstretched. "This is a book I wrote."

I examine his offering: *Rave Culture: An Insider's Overview*. The cover shows a dance floor on which an image of the Dalai Lama has been superimposed. His Holiness floats over the crowd and smiles enigmatically, several of his six hands waving CDs and glowsticks as though in blessing.

"You wrote this?" I repeat, thumbing the pages.

"Yes I did."

"That's really cool!"

"Thank you. But we don't have a lot of time, and we need Ecstasy and marijuana. Can you help?"

I have no Ecstasy—have never tried it—but still I end up with the book. Flipping it over, I read the author bio: "Jimi Fritz has been a musician, world traveler, tree surgeon, street performer, producer, director, chef, chauffeur, writer, roofer, painter, entrepreneur, husband, father, and lover. He now lives in Canada with his wife and two teenage sons. The whole family raves regularly."

Next I turn to the chapter called "Rave and Religion." On page 181, I read this: "The religion of rave embraces the spontaneous and intuitive, seeking to commune with the infinite through ecstatic revelation." And on page 183, this: "In the practice of the Dionysian mysteries, the essential unit is not the isolated individual but the group-in-action which manifests its collective energy through throbbing patterns of music and dance. . . . The Dionysians were also well known for openly using mind-altering substances in traditional, structured rituals aimed at self-growth."

This lingers in my mind a while, for earlier tonight I was at Jimi Fritz's church. Not at a rave, exactly—though there would later be several to choose from, taking place under huge, glowing canopy tents. Instead I found myself with 50,000 others standing before The Man—a structure 40 feet tall, made of wood, and soon to be incinerated. Of dancing and drugs, there was no shortage. Those around me screamed wildly, jumping up and down to music I found both unpleasant and unpleasantly loud. Nearby, a Russian bodybuilder piloted a vehicle decorated with metal plating. This fiendish animal, he said, "is dragon, is lizard, is a sort of a thing." You are not permitted to drive a car at Burning Man unless it is an officially approved "art car," in which case you may attach a flamethrower. The Russian had put one in his sort-of-a-thing's mouth, and it erupted at intervals, impressing the bevy of leather-clad dominatrices who ninja'd around him. Here and there, lit up by other sources of fire and glistening orangely, was nakedness.

I hadn't acquired Mr. Fritz's book yet, but as I stood there the word "Dionysian" indeed came to mind. I was entertained in the extreme, but I began to feel an acute unease without being able to identify its source. "Look at this," I said to a friend, waving my hand across the throng. "I'm trying to look at this like I've just been dropped in by helicopter, like I'm seeing it fresh. I'm asking what my reaction is. And I think it's horror."

* * *

As I pack up camp and prepare to return to civilization, that judgment seems exaggerated. But what led me to exaggerate in just this way?

I think the answer has to do with something I saw yesterday afternoon, before the Burn. I had gone out just as a Category 5 haboob (that's "sandstorm" to the kids) descended on us. Visibility dropped to ten feet and the sun was blotted out, so for a while I took cover in a place called

"Entheon Village." Later I dictated this audio report about it:

> Four thirty-three in the post meridiem. Back from hippie drug temple. [Names redacted] would love it. It's set up like a Buddhist monastery. They even make you take off your shoes. There was a music-healing hall with people lying down and touching each other and listening to wind chimes, and this other hall where they were teaching about magic spells. Comment overheard in courtyard: "He's a *total* shaman." In the main hall a lady with a British accent was giving a lecture, which seemed less stupid. Representative sentence: "The value of mind-altering substances is the value of having new kinds of experience."

Now the thumbscrew would be a new experience and the lecturer's assertion needs caveats. Her basic idea, however, does not strike me as unreasonable. Even so, there was something about Entheon Village that unsettled me, and I think it was related to that "horror" I felt later. If I had to capture it in a word, I would choose "irreverence."

That is not supposed to be a policy argument. I fail to see the logic of our drug laws, which are not grounded in anything like objective risk assessments, and penalize the extremely dangerous and the relatively innocuous with comparable severity. Whether prohibition is justified in terms of harms to the individual or to society, much better cases can be made against alcohol and tobacco than against cannabis and psychedelics (and perhaps some other drugs, though here I make no claims).

In the interest of honesty, I wish to say that I have some experience in these parts. I also wish to suggest that, if you don't, you have no standing to dismiss categorically the value of such experience. This is not an endorsement of "Don't knock it till you've tried it," for the comparative dearth of objective harms is relevant to assessing *this* kind of experience. Speaking subjectively: It can be silly (often) and emotionally unpleasant (sometimes, and especially if had too often), but on the other hand it can heighten empathy, occasion creative thoughts, or enhance aesthetic appreciation. These things are not for everyone, and neither is skydiving.

I recoil, however, from the tendency—identified and endorsed by Mr. Fritz—to think that drugs point the way to a Higher Purpose or Meaning of Life or Similarly Majusculed Noun. It is easy to see where that tendency comes from. Drug-induced alterations of thought, feeling, and perception give a point of departure to the desire for a reality outside of, or deeper than, everyday experience. This desire is what leads jungle tribes to gulp down ayahuasca brews. It is what leads latter-day "psychonauts" to interpret their acid trips in the light of animism, Eastern religion, or New Age spirituality. And it is what culminates in Entheon Villages.

In light of this, it is not surprising that the traditionalists see in Entheon Village a counterfeit of their own conception of the sacred, or even a blasphemy against it. And because the counterfeit is often Dionysian in spirit—because it tends to coexist with rave music and orange glistenings—they also see an inversion of their values.

I myself am not a traditionalist, but I do feel that the questions religion tries to answer should be approached with earnestness, thoughtfulness, and not a little fear. I feel an according distaste for the Aldous Huxleys and Timothy Learys of the world: those who coarsen our feeling for the mystery of these questions by suggesting that its resolution is to be found in something as effortless and trivial as the ingestion of a chemical. I feel an even greater distaste for those who celebrate the untethering of impulse as though this simply were the longed-for resolution.

But it goes too far to call Entheon Village "wicked." It is only meretricious, its danger only that of distraction. To me the proper course is not to smash this temple, even in rhetoric, but to point out with tact that its idol, like all idols, is cheap. Those who seek it for a novelty will be all the more inclined to worship if we imbue their ritual with the romance of martyrdom.

* * *

The Man, now burning, begins to collapse, plumes of spark blooming starward. I am entranced but still a little horrified. Perhaps inspired by the prophet costume I am wearing (robe, hood, sandals; no one goes around here without a costume), I even begin to deliver a jeremiad.

"This is like watching a pagan ritual!" I declaim to my friend. "Only a society in an advanced stage of decadence could produce this! There's an article to be written that holds up a mirror to this event. Instead of damning it, you could tell things as straight as possible"—my implication being that this would constitute the more persuasive damnation.

About then I see that a stranger has overheard me. He looks my way, smiling the smile of the benevolently amused—and that's when I start to feel I'm taking things too seriously. My horror resolves into longing for a quiet place, and eventually I even have fun. Soon enough the splendid triviality ends, and we all go home. **NR**

The Burn

ZUMA

■ FILM ■

Not So Great, Scott

ROSS DOUTHAT

NEVER let it be said that Hollywood doesn't respond to the free market. For several years after 9/11, and especially after the invasion of Iraq, the movie business busied itself making exactly the sort of films you'd expect from an industry where Sean Penn passes for a moderate. There were anti-war polemics, paranoid thrillers about conspiracies in high places, and gritty, "realistic" films about terrorism and American foreign policy in which the military-industrial complex usually ended up painted in darker hues than the terrorists themselves. Occasionally these movies were good (usually when they were deliberately fantastical, as with Matt Damon's Jason Bourne cycle), but more often they were hectoring and dreadful. Inevitably, audiences stayed away in droves, while thumbsucking critics lamented the fact that moviegoers just didn't want to confront the realities of war—a pattern that culminated in last autumn's box-office slaughter, when *Rendition*, *In the Valley of Elah*, *Redacted*, and *Lions for Lambs* earned, I believe, $107.50 at the box office between them.

So finally, finally, the movie industry began turning out a different sort of War on Terror movie—a less left-wing variant on the genre, aimed at a middle ground between Jason Bourne and John Rambo, between anti-Americanism and jingoism. Call it the liberal-internationalist action film: Last year's *Kingdom* was the first entrant in the genre, and it's since been joined by *Traitor*, with Don Cheadle as an American Muslim deep undercover in a terror cell, and now by the glossy, globe-trotting *Body of Lies*, which is based on a novel by the *Washington Post* columnist David Ignatius (a noted liberal internationalist, naturally), and which underwhelms in every respect save for the talent involved in making it.

Leonardo DiCaprio and Russell Crowe headline the film, playing a CIA agent and his Langley handler, respectively, with Ridley Scott supervising them from the director's chair. DiCaprio's Roger Ferris is a tanned and bearded Arabist, capable of blending into a teeming Baghdad marketplace and romancing a lovely Persian nurse, but indefatigable in his pursuit of Al-Saleem (Alon Abutbul), a terrorist mastermind responsible for a string of European bombings. Crowe's Ed Hoffman is a pudgy, pasty unilateralist who watches over Ferris via the footage beamed into Virginia from satellites and Predators, and orders hits and betrayals via his earpiece while ferrying his kids to soccer games. He's the Ugly American with too much technology and not enough perspective, and Crowe masks his good looks and plays up the schlub factor, as he did in last year's *American Gangster*, another Scott production. (If you ask me, Crowe is getting a little too comfortable with his "gotta get in character" beer bellies—maybe he should play an athlete next.)

WARNER BROS.

Russell Crowe plays the Ugly American

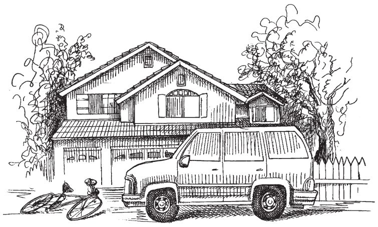
Ridley Scott is a peculiar figure: He's responsible for two of the flat-out greatest movies of the last 30 years (*Alien* and *Blade Runner*) and a slew of second-tier successes, yet he's a difficult filmmaker for anyone to really like. There are Scott admirers (a group in which I count myself), but precious few outright *fans*—neither the auteur crowd nor the fanboy world throws that much love his way. Too many of his films are watchable but impersonal: If he had more idiosyncratic failures—and his best film, *Blade Runner*, was judged exactly that way upon its release—I suspect his successes would be held in higher esteem. Instead, his unsuccessful movies invariably feature impressive craftsmanship, but leave you wondering about the why: What's the point of this movie? What's it trying to say? Why were so many millions shelled out to make it?

American Gangster suffered from this problem; *Body of Lies* is more or less done in by it. The movie is handsome enough—even the refugee camps look picturesque—and the story zips along: You won't be bored, and Mark Strong's sterling turn as Hani, the debonair and deadly head of Jordanian intelligence, in and of itself makes the film at least worth Netflixing. But the movie lacks the confidence it needs to be a straightforward bang-pow actioner, and it lacks the political depth it needs to be something more than that. The result is a middling thriller that gestures ineffectively at bigger issues—by making Crowe's handler dogmatically wrong about absolutely everything (like Bush! or Rumsfeld!); by having the terrorist mastermind declaim "welcome to Guantanamo" just before his thugs start torturing DiCaprio; and—unforgivably—by using four lines from W. H. Auden's "September 1, 1939" as its epigraph: "I and the public know / What all schoolchildren learn / Those to whom evil is done / Do evil in return."

Auden was writing, of course, about the Nazis. He later grew ashamed of the poem, and refused most requests to include it in collections. As Alan Jacobs tells it, "the more deeply Auden contemplated the human capacity for evil, the more frivolous his explanation of Nazi aggression seemed—not because it is untrue . . . but because that is a small portion of the truth masquerading as the whole." This is a lesson that might profitably be applied to any attempt to analyze our current enemies as well—but Ridley Scott, I think, is not the man to do it. **NR**

■ THE STRAGGLER ■

De Haut En Bas



JOHN DERBYSHIRE

'THROUGHOUT recorded time, and probably since the end of the Neolithic Age, there have been three kinds of people in the world, the High, the Middle, and the Low. . . . The aim of the High is to remain where they are. The aim of the Middle is to change places with the High. The aim of the Low . . . is to abolish all distinctions and create a society in which all men shall be equal."

Thus Emmanuel Goldstein in The Book, the one that Winston Smith reads while canoodling with his girlfriend in the novel *Nineteen Eighty-Four*. Goldstein got the essentials right, but he failed to foresee the great success of meritocratic welfare capitalism. His schema needs a few adjustments.

These thoughts ambled through my mind while I was watching the Palin-Biden debate the other evening. Both vice-presidential candidates were terrifically keen to assure us folks in the Middle how wonderful we are and how firmly on our side they stand. Biden: "We're going to focus on the middle class. . . . The middle class needs relief, tax relief. . . . The middle class is struggling." Palin: "John McCain and I . . . we're going to fight for the middle-class, average, everyday American family like mine."

Well, one thing's plain about the next four years: It's going to be great to be middle-class! Obama, McCain, Biden, Palin—these guys love the heck out of us! The federal political establishment regards the middle class as fondly as Marx did the proletariat.

Looking at the statistical tables put out by the IRS, it's not hard to see why. By far the biggest haul for the federal government comes from the middle class. The range of "adjusted gross income" from $50,000 to $1 million accounts for 65 percent of all income-tax revenues, and total receipts on either side of that, from the poor and the rich alike, drop off like continental shelves. Over 20 percent of the revenue comes from the range $100,000 to $200,000, and another huge slab—18 percent—from the $50,000 to $100,000 range. The middle class is fertile soil for tax farmers.

Politicians are also vote farmers, and here too the middle class is the place to go. These dutiful, rule-following, public-spirited habits that get us into, and keep us in, the middle class also prompt us to our citizenly obligations: taxes, voting, and (when demanded) military service. No wonder that one of the standard conceits of democratic politics is fetishization of the middle class.

Not everyone thinks we're wonderful, mind. Chicago's Trinity United Church of Christ has long warned its parishioners—including its most famous parishioner, Barack Obama—against the bourgeois temptation. Item number eight in Trinity United's list of concepts on which congregants should ceaselessly reflect is: "Disavowal of the Pursuit of 'Middleclassness.'"

Even some conservatives have their doubts about the virtues of the middle class. Linda Chavez, in a recent column, scolded: "The average American now owes more than $16,635 in consumer debt, excluding mortgages. . . . We've simply become accustomed to buying what we want, when we want it, regardless of whether or not we can really afford it." Assuming that Ms. Chavez's "average American" is middle-class—and what else would he be?—the cause of the current financial crisis may be middle-class fecklessness. You won't hear that from the politicians, though.

Whether Goldstein's Middle still has the aim "to change places with the High," I do not know. I wouldn't mind doing so personally, but it would be presumptuous of me to speak for my entire class. The Low, at any rate, seems to have lost its revolutionary enthusiasm in the warm soak bath of the modern welfare state. The *Wall Street Journal* the other day reported on the efforts by Róger Calero, the Socialist Workers party's candidate for president, to refute the notion that Treasury secretary Paulson's near-trillion-dollar bailout plan is socialist. *Au contraire*, asserts Mr. Calero: "It poses the urgent need for a revolution in this country . . . that will throw the billionaire ruling families out of power and replace them with a workers and farmers government." (*Farmers?*) Calero is from Nicaragua, and is not a U.S. citizen; he is therefore not eligible to serve even if elected. Not much going on with the Low, then.

Meanwhile, what is the root cause of this financial mess? At some point in the last dozen years or so our financial system was seized with the compulsion to issue big fat mortgages to people who would have no chance of meeting their repayments when the economy slowed from a gallop to a canter, as economies cyclically have done since, as Emmanuel Goldstein would have said, "the end of the Neolithic Age." The only way to float these mortgages was to package them up as securities and sell them to foreigners with too many dollars in their safes—foreigners who will likely take a coldly unforgiving approach to those bonds curling up and shrinking down to the size and value of postage stamps when mortgage repayments stop flowing in at the far end.

But why was the financial system so seized? Many theories have been put forward. I don't know which one is correct (though, like the rest of you, I have my favorites) but I do have a suggestive coincidence. Here it is.

In one of my fitful attempts to earn an honest middle-class living in order that I might bask in the sunshine glow of politicians' favor, I was employed by a Wall Street bond brokerage as a computer programmer, in a team supporting a system used for trading those very same mortgage-backed securities that have gotten us into this mess. One component of our system carried out the actual allocation of mortgage debt to "pools" of securities for onward trading. The input to this process was a type of not-quite-security, a form of paper the firm had not actually got its hands on yet, but which it had bought on a forward-delivery basis. These not-quite-securities were known in the trade as "deliverable when issueds," abbreviated of course to "DWI."

There you have it. The whole structure of mortgage-backed securities trading rests on something called a DWI. Just a coincidence, of course. **NR**

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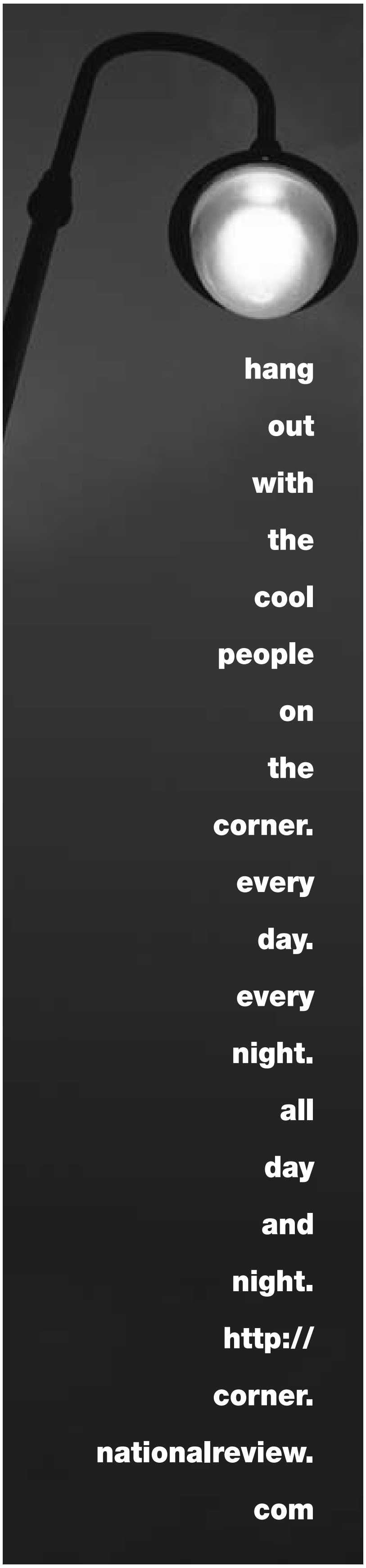


happy **warrior**

MARK STEYN

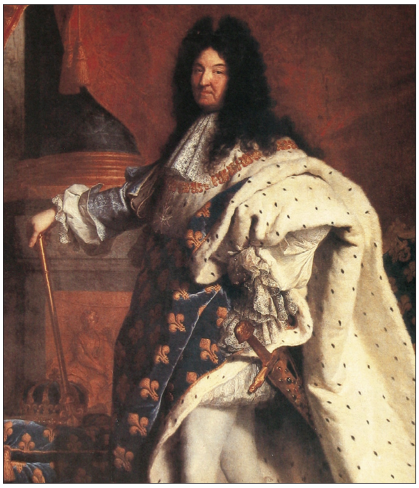
Nonsense Unstilted

It's a bit late in the day to say what I'm looking for in a candidate. So let me say what I'm looking for in a voter. It was nicely summed up by Marc Ambinder of *The Atlantic*, contrasting McCain and Obama back at the end of primary season as they clinched their respective nominations: "The enormous crowd in the Xcel center seems ready to lift Obama on its shoulders; the much smaller audience for McCain's speech interrupted his remarks with stilted cheers."

And God bless 'em: Three stilted cheers for the stilted cheerers. There, surely, is the republican ideal: a land whose citizenry declines to offer anything more generous than stilted cheers for whichever of their fellows presumes to lead them. Alas, we stingy stilted cheerers are a dying breed, and, if present polls are any indication, on November 4 Americans will be looking for a leader they can exalt with more full-throated hosannas. Two and a third centuries after the Declaration of Independence, the monarchical strain in American politics is stronger than ever: Not for us a citizen-executive promising a chicken in every pot; we seek a benign sovereign promising hope in every pot—presumably a specialty item hand-crafted by some Vermonty artisan type.

The old kings—the ones got rid of back in 1776—were believed by their touch to be able to cure scrofula. I remember as a schoolboy relishing the onomatopoeic pleasures of the word and my history textbook's accompanying pictures of medieval unfortunates with lurid pustulating necks. Yet a mere glide of the fingers by English monarchs from Edward the Confessor to Queen Anne, and sufferers were instantly transformed—at least until King George I decided ixnay on the hand-lay and declared the racket "too Catholic." An attempted French restoration of the practice by King Charles X at his coronation in 1824 was greeted with widespread derision.

Ah, "widespread derision." That's right up there with "stilted cheers" as a leading indicator of a well-adjusted citizenry. Yet, in the early 21st century, the benign sovereign can heal not merely a minor skin condition of his scurvier subjects but the entire planet. The speech that so moved Marc Ambinder was one Senator Obama largely devoted to the significance of himself: "I am absolutely certain that generations from now, we will be able to look back and tell our children that this was the moment when we began to provide care for the sick and good jobs to the jobless; this was the moment when the rise of the oceans began to slow and our planet began to heal."



Slightly less ambitious

"Heal" is the operative word here. Barack is not one of those warrior kings who cure sick children on weekend breaks from slaughtering foreigners, but rather the apotheosis of a therapeutic culture: He will "heal" the planet and thereby bring "closure" to the Bush era. The other day I found myself stuck in traffic behind one of his Hopemobiles—that's to say, a van whose rear bore a giant poster in vaguely Soviet-realist style of the Great Healer captioned not by his name but only by his message: "HOPE." Smaller placards dotted around it fleshed out his policy platform: "KIDS' FUTURE? VOTE DEMOCRATIC." "HOPE NOT FEAR? VOTE DEMOCRATIC." I felt a sudden desire to order up a gross of bumper stickers bearing the slogan "FEAR HOPE."

"One of the objects of a mature political philosophy," wrote Michael Knox Beran in *City Journal* this summer, "is to reconcile people to the painful limitations of their condition. The American Founders recognized this, as did the English statesmen who presided at the Revolution of 1688: They rejected utopianism." Ha! More fool them. Senator Obama promises to "remake this great nation," which frankly sounds a little cheeseparing and parochial next to his wife's pledge that an Obama administration will start building "the world as it should be." It's not precisely clear what that will involve, but it seems likely to be expensive.

As to his qualifications for remaking the world, my favorite moment of the campaign was when he got briefly touchy about having his minimal "qualifications" for the presidency compared with Sarah Palin's. The senator huffily pointed out that he has too got executive experience. Unlike the governor, he's never run a state or a town or a business, but, as he put it, for two years he's been running a successful presidential campaign. In effect, Barack was acknowledging that his principal talent is for self-promotion. It requires some chutzpah to offer your skill at being Barack Obama as your main qualification for the job. The man who modified the title of Sammy Davis Jr.'s autobiography for his campaign motto—"Yes, we can!"—might have done better to cut straight to one of Sammy's signature songs: "I've Gotta Be Me." *L'état, c'est moi.*

These next four, eight (twelve? twenty?) years seem likely to be tough for us stilted cheerers. I doubt he'll be lowering ocean levels. But, unlike King Canute, who at least arranged a useful demonstration to apprise the sycophants of his limitations in that respect, King Barack is in no hurry to disabuse his followers. So he'll probably set up some cockamamie bureaucratic regulation designed hypothetically to lower ocean levels over the course of the next century or two. After all, there's no point electing a megastar leader without mega-government to go along with him. You might think this is all profoundly unbecoming to a republic of free-born citizens. But these days that's a concept you can barely raise a roomful of stilted cheers for. **NR**

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